DEVELOPMENT OPTIONS FOR A CORPORATE HEADQUARTERS IN THE CHICAGO AREA

by

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ABSTRACT

Eleven alternative development scenarios were generated and analyzed for a specific corporate user of space (Smart Corporation) with particular needs for a new headquarters. Extensive quantitative and qualitative data were modelled using discounted cash flow analysis and Lotus 1-2-3 personal computer software.

Results from the computer models were weighed carefully against the goals, needs, objectives, personality and philosophy of the corporation. External forces with possible effects on the building program were considered as well. Though the intent is only to evaluate the strengths and weaknesses of each option, the information generated indicates that the financed complete ownership of a custom-built headquarters building is a good match to the criteria explored in this thesis.

Thesis Supervisor: James McKellar

Title: Professor of Architecture and Planning

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INTRODUCTION

Smart Corporation is a wholly owned subsidiary of a large and well managed Fortune 500 company. It was originally founded and operated by an entrepreneurial and rather visionary individual and it carried out its business as a small independent corporation for several years. About twenty years ago, Smart was purchased by the larger corporation and though it still maintains much independence, has been highly affected by the philosophy and especially the corporate culture of its powerful parent. The businesses of Smart and its parent are not similar; however, the goals of employee satisfaction, quality products and services and satisfied customers are the common motive forces driving both companies.

Employee satisfaction permeates so deeply into the psyche of the company, that it becomes an important parameter to be considered when a change such as that anticipated in this study is evaluated. The comfort and welfare of each Smart Corporation employee are paramount among issues that Smart executives must weigh to reach a decision from among the alternatives outlined in this report.

THE REAL ESTATE STORY

Until a few years ago, Smart filled its Chicago area real estate needs by leasing space in an office bulding in downtown

Chicago for its headquarters and triple net leasing a large industrial building in Chicago's industrial South Side. This facility served as the warehouse and distribution center from which the products of the company were handled.

For various reasons, not the least of which was a rapidly decaying and increasingly maintenance intensive physical plant on the South Side, a new distribution center was desired by Smart. The new building was developed under a design-build arrangement whereby a major national developer put together a building and sold it outright to Smart upon completion. Smart moved into the new distribution center and shifted operations there in late 1985, after paying cash for the building.

The design-build arrangement was less than totally satisfactory for Smart since the corporation required a building of far higher quality than the national developer was accustomed to developing in the surrounding industrial park. The problem was twofold: first, the developer retained ownership and net leased all of the other buildings in the park to their occupants, so these buildings were built to low speculative standards. Secondly, Smart's parent corporation, which is sophisticated in real estate issues, required that the new building be built to most of its own internal safety and quality standards which were dramatically higher than those of the developer's speculative building package purchased by Smart.

Though the end result was that the new building was produced

at a reasonable price and to the correct standards, it was not accomplished without considerable unnecessary effort being expended by Smart and its parent corporation's real estate division. This recent experience has caused a logical and justified interest by Smart in the process as well as the price and product of any future real estate development projects.

Around the time of the closing on the distribution center, an option agreement was purchased by Smart on three parcels of adjacent land. The first was the "expansion property", 2.2 acres of land, the purpose of which was to supply expansion space for the new distribution center. The second and third parcels, plan B at five acres, and plan B-1 at six acres, were optioned as alternate possible future sites for the world headquarters of Smart, now occupying about 100,000 square feet of leased office space in downtown Chicago. The vision was one of a single campuslike location where all of the Chicago area operations of Smart could be housed in close proximity. The site appeared outwardly appropriate for such development; it and the option agreement are discussed fully in the site analysis section of this report.

PURPOSE OF THIS STUDY

With this background and chronology of events in mind, the purpose of this study (carried out during the summer of 1986), is clear and logical. It is to generate and analyze several alternative development scenarios for a specific corporation with

particular current needs for office space. Each alternative is fully described and critically analyzed from the perspective of the corporation. Though alternatives involving a developer as a development partner are analyzed to project returns from the project's performance for both partners, the primary purpose is to present the options clearly, objectively and critically to the corporation so that its executives can be aided in making a rational decision about fulfilling its real estate requirements in the near future.

Though many factors are considered, the primary focus of this study is on the financial structure and projected total occupancy costs of the various options considered. Assumptions used in the proformas are fully explained and results are measured by many criteria. However, the stated goal of the corporation is to fulfil its spatial needs for the lowest possible total cost. The spatial needs are not, however, just ubiquitously available raw square footage; this corporation is highly concerned with employee satisfaction and comfort and with the issues and image of quality. It has well articulated functional and design criteria, all of which push its real estate needs to a higher level than is typically offered by the speculative builder or developer. This is the major reason which is not cost related that the corporation is considering progressive options which allow it to control the development process fully enough to affect the spatial quality and building

management more so than is typical for corporate leasees of space.

METHODOLOGY

The methodology employed is full description and comparative financial analysis of the various development options. Proformas are included for each option which were designed using Lotus 1-2-3 personal computer software. Most of the other information presented is included either to validate the assumptions used in the proformas or to analyze and complete the necessary evaluative equations which fully present the various options for consideration to Smart Corporation.

Finally, though the corporation and situation presented are real ones, names of companies, people and places have been changed to protect the identity and interests of those involved. All of the major players were actively involved in this study, primarily by providing necessary information which was not generally or easily otherwise accessible by the author.

SUMMARY

SITE

Smart's currently optioned site (either the five or six acre parcel) would provide a physically and legally viable location for a 100,000 square foot office building. Zoning constraints make development of a 200,000 square foot building on the site difficult, but not impossible if the municipality with jurisdiction chooses to cooperate.

The location of the optioned site, adjacent to Smart's distribution center, holds certain intangible attractions for the company over other sites. Because it is an industrial zone, a high quality office building (as envisioned by Smart) would be undervalued because of its location.

Other sites are tested and modelled as they affect various development scenarios.

MARKET ANALYSIS

Chicago's metropolitan area office market is currently good, but weakening. Because completion and rental of speculative space built by Smart is likely to occur at the peak time of the anticipated office glut, the company should cautiously approach any scheme which includes the need to rent speculative space on the open market.

Appropriate rent up periods and rental rates are built into the scenarios which include speculative space; nonetheless, the

returns from these scenarios must be considered more difficult to achieve than performance of scenarios involving only Smart as an occupant.

SCENARIO EVALUATION

Eleven scenarios were developed under the three major categories below. A twelve year proforma was developed for each scenario, the end result of which is a net present value for Smart's total occupancy cost over that period of time. This is done both before and after taxes for each option.

JOINT VENTURES

A group of four joint ventures is modelled in which Smart is the limited and equity partner of a partnership with a developer general partner. This combination seems to serve Smart, in need of development expertise, and a developer, in need of a tenant.

Smart retains a priority return on its equity, splits ownership and other benefits 50/50 with the developer and pays rent into the partnership.

Locational and size variations are tested in this scheme; some joint ventures involve Smart as the sole tenant while others include speculative space to be rented to outsiders.

COMPLETE OWNERSHIP

Four scenarios modelling complete ownership and occupancy of the necessary space by Smart are discussed. They are varied by location and financing arrangement.

These scenarios have the advantages for Smart of the complete ability to control the project (not possible with the limited partner status Smart takes in the joint ventures). They also divorce Smart from possible complications arising from the softness in the market for office space. And, complete ownership allows Smart to retain all of the benefits flowing from its superior credit rating and its occupancy of the building.

LEASED SPACE

Three straightforward lease options are evaluated. They model the total occupancy cost for Smart over the next twelve years in three different locations, including the space which Smart currently occupies.

Leased options really do not allow Smart to profit or benefit from its occupancy in the building, or from its strong credit rating.

ANALYSIS

Each of the eleven scenarios is ranked and evaluated both quantitatively, in terms of its net present value, and qualitatively, with reference to how well it meets the goals and philosophy of the corporation.

A sensitivity analysis is performed on each option which tests the scenario's reaction to varied building cost, inflation, vacancy and rent. The sensitivity analysis is a modelling of various kinds of risk which could affect the project.

Costs of each option are partitioned into their major components. The structure and the vulnerabilities of each deal are analyzed.

Finally, current and proposed tax laws are imposed on the models, and the issue of taxation is fully discussed as it affects the scenarios.

CONCLUSIONS

Considering the quantitative cost to Smart, risk minimization, lack of complication of Smart's business plan by adding real estate for profit, structure of the deals, uncertainty of the utility of modelled tax benefits, site considerations and the market for office space, it is indicated that Smart should build its own building solely for its own use, and it should finance the project rather than paying cash for it.

The site for the project could be the land now held under option by Smart or a site in the nearby office park which is owned and managed by the nationally known developer. Economic indicators suggest that the project should logically begin soon. And, Smart should structure its development carefully and tightly, minimizing the possibility of abuse or difficulty with contractors or developers.

SITE ANALYSIS

Situated in a rapidly growing area of suburban Chicago, Illinois, three parcels of optioned land exist which may be purchased by Smart over the next four and a half years. (See option agreement in appendix). These are: the expansion parcel, approximately 2.2 acres; parcel B, about five acres; and parcel B-1, at six acres. All of the land is relatively flat and easily developable. (See sketches of parcels following this section). Site frontage is on Roseland Avenue.

Recently, the area in which the site is located has undergone considerable development, with a major office and hotel campus near an interstate highway interchange less than a mile away. There is also a nearby business park offering research and development, high end industrial and moderately priced office space. These high quality neighbors, easy access to O'Hare International Airport and the location in a rapidly expanding market area make this an enormously attractive locale for development.

Perhaps the greatest locational weakness of the optioned site, in light of the anticipated office use, is that it is located on the perimeter of a light industrial, research, development and distribution center park currently being expanded by its developer. The optioned sites, currently owned by that national developer, are adjacent to the new 260,000 square foot distribution center owned and operated by Smart Corporation.

Smart optioned the land as a possible site for its new headquarters office building. As mentioned above, the other buildings in the park are owned by the large developer and net leased to their tenants.

The immediate area is largely of a light industrial character. The nearby, high quality office and hotel campus, occasional commercial use, single family residential and some undeveloped farm land (including a life estate on parcel B-1) complete the sketch of the area.

TRANSPORTATION

Currently, the transportation network in the area is good and some improvements are being planned. Roseland Avenue has been intermittently considered as a path for a new restricted access expressway, but it appears now that such plans have been scrapped by the State of Illinois. However, funds have recently been appropriated through the governor's "Build Illinois" program to improve Roseland Avenue in the area of and adjacent to the site. The exact nature of the improvement is not known, but limitation of access to signalized intersections seems likely.

Forest Road is projected to be widened from two lanes to five in 1987, to the west of the site (see site diagram). Michael Street is expected to be extended from its present terminus (in front of the Smart Distribution Center Building) to Forest Road during 1988. The dates for these improvements are

tentative and dependent upon many factors, including the success of the municipalities in obtaining state and federal aid, and the development of adjacent parcels so that developers can pay for part of the improvements.

MUNICIPALITIES

Part of the optioned parcels is in the village of Cervo Park, Illinois, and part is yet unincorporated. The adjacent City of Forest appears anxious to annex the sites. The option agreement makes it mandatory for the seller to have the property, if purchased by Smart, annexed to Forest or Cervo Park prior to closing. In addition, the expansion parcel (which would allow room to expand the distribution center and make it contiguous to either site B or B-1) would have to be made part of Forest before closing, under the conditions of the option agreement, since Smart would not want an expanded distribution center to be located in two different municipalities. The distribution center is now in the City of Forest (see option agreement and site sketches).

If option site B is taken, it is likely to end up in Cervo Park, whereas option B-1 is more likely to end up in Forest (due to existing town lines and the sellers penchant to work with the City of Forest when given a choice - and since the seller is responsible for straightening out the municipality problem before closing).

Nonetheless, both municipalities will be considered

throughout this study as possible regulators of the property. Pertinent similar and different regulations for the two towns are discussed as they affect the proposed building programs.

CHARACTER

Both Forest and Cervo Park are small residential and light industrial municipalities which have experienced periods of phenomenal growth, especially during the 1960's. Forest's population grew 188% and Cervo Park's grew by 271% during that decade. Forest now has a population around 11,500 and Cervo Park nearly 30,000. Both towns were basically truck farm and dairy areas until the 1950's when the burgeoning postwar economy caused industrial and residential development pressure.

Cervo Park was incorporated in 1956 as a planned community of tract housing and an early model industrial park. Forest, though incorporated in 1928, remained a little town until very recently. In fact, though it is growing by leaps and bounds, it retains much of the small town charm and character; this extends even to a spirit of boosterism and cooperation with development interests. Cervo Park, on the other hand, though historically successful in attracting development (far more so than Forest by size and tax base) is more bureaucratic, less flexible and generally a harder town with which to work. Perhaps the development complacency is a product of Cervo Park's past success whereas Forest remains "hungry" for an expansion of its tax base.

It is thus the developer's (current owner of the optioned properties) intention to try to have the entire area annexed to Forest. The developer owns most of the land in the area, both developed and undeveloped.

After discussion with both municipalities and the developer, who has worked extensively in the area, it is the opinion of the author that either community would be workable, but that the entire approval process would be much smoother and simpler if the construction were to take place in Forest. It is therefore recommended that steps be taken toward that end as soon as possible since municipal exchanges and annexations tend to be long and arduous undertakings.

It is interesting to note that in order to complete the adjacent distribution center, an actual boundary change was accomplished whereby Cervo Park deannexed a piece of land so that the entire parcel on which the Smart distribution center was built was in Forest before closing. Such transactions, though difficult, are possible in this area; this may be a difficult fact for the New England reader to fathom.

LEGAL STATUS OF SITE

The option agreement (see appendix) clearly defines what the legal status of the site must be as a condition to purchase and closing by Smart. Utilities are available from either Forest or Cervo Park.

An important consideration when comparing the communities is

that Cervo Park is served by high quality Lake Michigan water purchased from the City of Chicago. Forest, though it intends eventually to link up to Chicago water, currently serves its residents from a community well whose water is vastly inferior to that available from Cervo Park through Chicago. Typically, when a town links up to the lake water system, there is considerable extra cost to the consumers to pay for infrastructure and the higher cost of the water.

Legal descriptions of the parcels are available, but not included in this report since the location of the project has purposely been camouflaged.

If purchased, virtually all of the "bundle of sticks" (rights of real property ownership), would belong to Smart. No uninsured defects in the title are acceptable to Smart. The option clearly states that "the seller shall deliver possession of the option property, free of all squatters, occupants and rights of third parties, and free of all claims of a leasehold or other interest in the premises." Even condemnation proceeds, if received by the seller, are to be credited against the option price or the rights to receive such an award must be assigned to Smart.

ZONING

Smart wrote the option agreement to guarantee annexation to either Forest or Cervo Park, except that the expansion parcel

must be annexed to Forest if purchased by Smart. The option agreement also obligates the seller to deal with the zoning issue and have the site zoned M-1 before closing. (Cervo Park has no M-1 zone, the apparent comparable classification is I-2; the Cervo Park land included in the option is currently zoned I-2).

An M-1 classification in Forest (see section of Forest's zoning ordinance in the appendix) presents a few encumbrances to the development of the site as envisioned by Smart. Being a limited manufacturing district, there is no problem with the intended use of office by Smart. Indeed, with some of the lower level uses allowed, Smart should be more concerned with the level of obnoxiousness it can tolerate on the site from neighbors, and what the value implications of some of these allowed uses might be.

Some of the provisions seem reasonable ones with which to comply, and others begin to limit the alternative development scenarios which could be built as of right on this site. Maximum FAR is .7; this would be exceeded with the 200,000 square foot building on five acres at .92 FAR, and the 200,000 square foot building on six acres at .77 FAR. For the larger building, a variance would have to be sought. The height limitation of thirty feet would almost surely require a variance with either sized building, since it effectively limits any building to a maximum of three stories, unless a very large floor plate is acceptable by Smart for its building.

Parking requirements for office use in Forest are for one space per 333 square feet of building area. With the 200,000 square foot building and an average paving area of 300 square feet per car, approximately 4.14 acres of parking are required. With a .7 maximum impervious lot coverage, this would be virtually impossible to achieve on either the five or six acre parcels. Structured parking, with its prohibitive additional cost, would be required; or, additional land would have to be purchased. With the 100,000 square foot building, about 2.07 acres of parking are required. This should be able to be accomplished on either site with conformance to the .7 maximum impervious coverage ratio.

The I-2 classification which seems to be indicated if the land ends up in Cervo Park (pertinent parts of zoning ordinance are included in the appendix) eliminates the most obnoxious of the possible industrial uses, but still allows many that may be less than compatible neighbors for Smart. It permits office use.

Cervo Park's zoning ordinance also includes an ominous permitted use category for any industrial uses conditioned upon issuance of a prior compliance certificate. This provision gives broad freedom of discretion to the village officials to allow or deny uses as they see fit; this could be dangerous for Smart if the village saw it fit to allow a noxious neighbor, as it could under provisions of the ordinance.

Cervo Park allows a maximum FAR of 2 which makes either

sized building a conforming use on either optioned parcel.

Parking is required for business office uses under Cervo Park's ordinance at the ratio of one space per 200 square feet of floor area. This would mean 500 spaces for a 100,000 square foot building or 1000 spaces for a 200,000 square foot building. With a maximum ground coverage rate of 80%, at an average space consumption of 300 square feet of paving per car, 3.44 acres of parking for the 100,000 square foot building or 6.89 acres for the larger, the problem is obvious.

The parking requirement would necessitate much more land than the five or six acre parcel if the 200,000 square foot building is built. Though tight, the 100,000 square foot building and required parking probably would fit on the site, depending upon the floor size of the building. The only other solution to the larger building would be structured parking which would be an unjustifiable additional expense.

A life estate attached to parcel B-1 obviously places an unpredictable impediment on development of that site.

BUILDING CODE

Both Cervo Park and Forest, Illinois use modified BOCA (Building Officials and Code Administrators) building codes. The basic BOCA code is an industry standard and presents no particular barrier to development.

Engineers and the architect responsible for design of the

facility must see that it conforms to the code having jurisdiction over it. BOCA is typically greatly exceeded in conservatism by Smart's corporate design criteria.

Though theoretically the BOCA code is modified by municipalities to conform to "local conditions," it is more often modified to conform to local special interests. It is not a purpose of this study to analyze the codes of each community; but, Smart should be aware of the kinds of local interests which may be written into the code and what costs may be attached to them.

OPTION AGREEMENT

Smart's option agreement is included in the appendix in entirety. Through it, Smart purchased the option of buying various portions of the expansion parcel, parcels B and B-1, which were described earlier, for up to five years after the December 1985 closing of the purchase property (on which Smart's distribution center is built). It is structured as a two year option with three one year extensions available. The price of the land purchased is set at $3.50 per square foot with four percent inflation per year built in. Actual cost of the option is negligible.

Conditions are stated whereby Smart may purchase various portions of the properties, but it is assumed that if the option was exercised for other than only the warehouse expansion space,

either parcel B or B-1 and the expansion space would be purchased, thereby providing a five or six acre site for the office building. This would give Smart a contiguous property to connect the distribution center and the office building, and it would provide for possible expansion of the distribution center and a site for the new office building. Parcel B-1 includes a life estate measured by the life of a man whose house is currently on the land.

Also stated in the option agreement is the requirement that the appropriate zoning shall be obtained by the seller prior to closing. The zoning classification is discussed elsewhere.

PHYSICAL ANALYSIS

Physically, either the B or B-1 option sites appear ideally suited for construction of the type of midrise building suggested by the program of Smart's project. The land is easily levelable, has good access to streets and roadway, is situated adjacent to the distribution center, etc. Though no problems are anticipated regarding bearing capacity of the site (since none were identified during design and construction of the adjacent distribution center), it is recommended that borings be taken and structural capacity be analyzed by a competent licensed engineer before the option is exercised.

Climatic conditions, seismic considerations and other natural and meteorological constraints on the site are all typical for the Chicago area and need not be explored here.

One unique constraint, beyond those mentioned from the zoning ordinances, may be placed limiting the overall height and exact placement of a building on this site because it lies in the flight path of O'Hare. A tall building recently developed nearby was delayed during the approval process because of the required FAA approval which was slow to be granted. This issue has also recently been made part of the Cervo Park zoning ordinance. It is recommended that the possibility of such a FAA impediment should be investigated before the property is purchased. The midrise height anticipated for this building also minimizes the possibility of a problem since the delayed building was much taller.

As was mentioned earlier, the major single problem with the optioned site is its location in the industrial park. This becomes critical to Smart in many regards. Most importantly, the value of speculative space built with the intention of leasing to another tenant must realistically be considered to be the lowest valued office space in the area. This is because the alternative office-hotel campus and the business park nearby are both considered preferable (see market analysis) locations over office space located in this industrial park. The only office spaces in this park now are the small front offices attached to warehouses whose rent is folded into the low net leases of the typically huge industrial spaces to which they are attached. The market conditions and the logic used to value space rented on this site

is explained elsewhere in this report.

No matter which development scenario Smart decides to employ to obtain the space it requires, the inferior status of this site as the location for an office building must be considered carefully. This is the case primarily since it affects the probability of attaining proforma rents and residual, the two most important components of positive cash affecting the occupancy cost of Smart. This is especially true since expenses such as taxes and operating costs would not be significantly higher on the "superior" sites available nearby. Of course, land cost would be higher elsewhere.

Prerequisite to a logical decision by Smart is an answer to the question: What is the real value of adjacency to the distribution center for the office headquarters of the company? This condition of adjacency has not historically been the case for Smart. Smart must respond to this question and weigh it against the more objective data handicapping the optioned site which is presented in this study.

With this in mind, it must be said that the issue becomes absolutely critical to the outcome of the effort only in the alternatives requiring outside tenants to achieve proforma. Those solely involving Smart, though perhaps handicapped at resale, would not be as risky to consider since the value of the building in these Smart-only alternatives is really the desire of the corporation to be located there.

Having the headquarters nearby, but not adjacent, would be a major move towards consolidation since the two are now separated by over twenty miles. Of course, given Smart's philosophy of employee equality, there could clearly be a justifiable grievance on the part of the warehouse employees if the office workers were placed nearby, but in a notably higher status location. The pervading sense of second class citizenship may become a serious personnel issue. Smart must come to terms with these managerial problems; it is the purpose of this report only to discuss them as they relate to real estate decisions.

If an alternate site were chosen by Smart, a real estate issue would be what to do with the option. It is the opinion of the author that the 2.2 acre "expansion parcel" should be purchased under any circumstances as a prudent investment for the future of the warehouse, whether used for expansion or merely as a buffer.

The other five or six acre parcel available, in a strictly shrewd business sense, is worth more than the $3.50 per square foot for which Smart can purchase it. (Comparables suggest a maximum value of $4.50 per square foot currently, with further value escalation probable in the future). The issue here is whether Smart wants to turn a profit with the possible result of alienating the current owner who is the dominant developer in the area and with whom Smart currently has a good ongoing relationship from the experience of developing the warehouse.

This developer clearly sold the cheap option with the anticipated result of use by Smart or return of the site to the developer. Though Smart may not assign its option rights to other than its corporate parent or a purchaser of its assets, it may buy the land and then sell it. The developer reserves the right to buy it for the same terms and conditions as Smart may receive in a bona fide offer. This right is maintained by the seller for twenty-five years after closing. Pragmatically, it is hard to imagine any real estate scenario in the area which would not involve this developer in some way.

Other sites should be analyzed as they affect proforma results, and more qualitatively as they suggest answers to the personnel and business questions raised here.

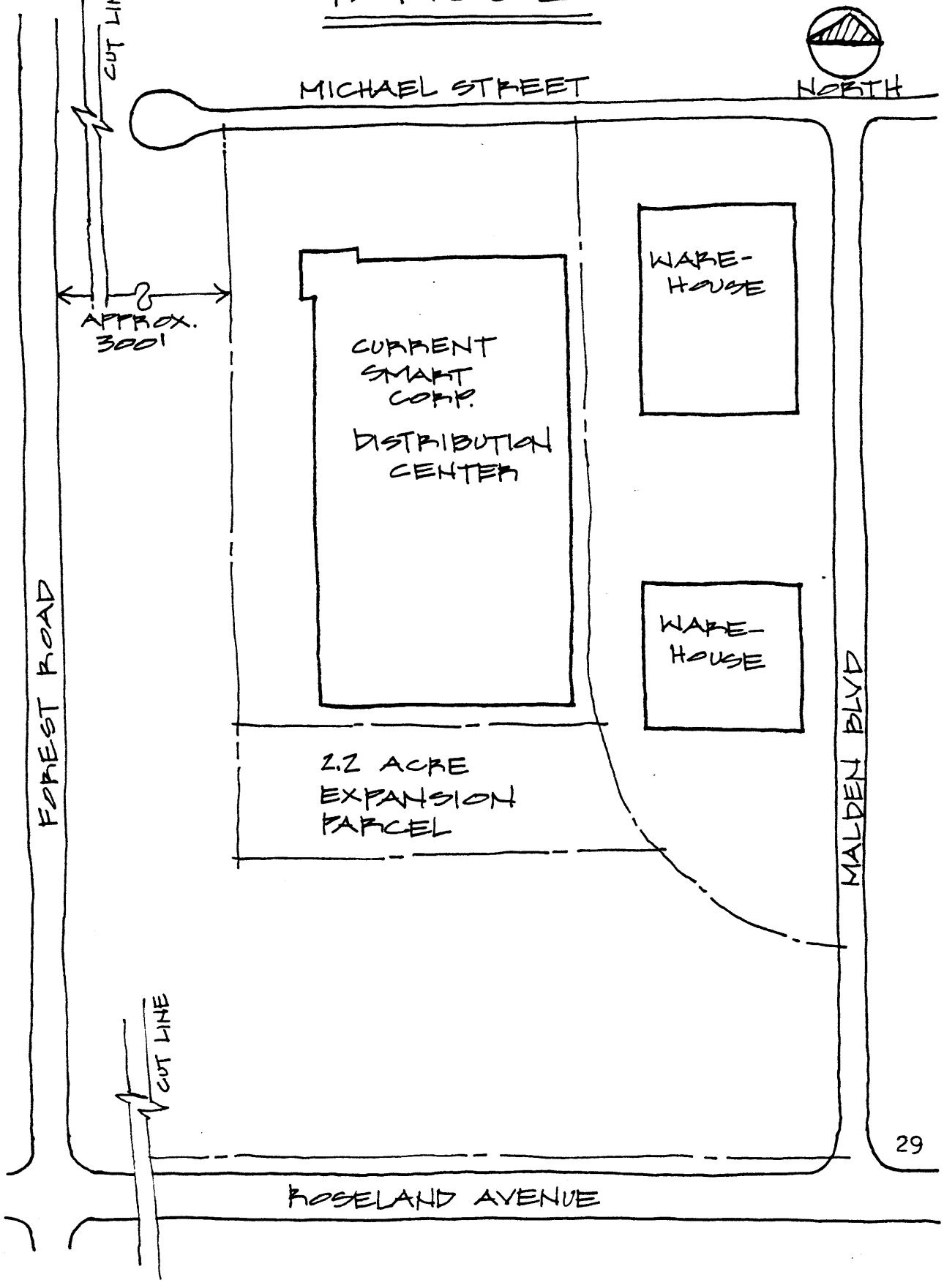
NONPURCHASE METHODS OF SITE CONTROL

Nonpurchase methods of site control such as leasing the site from its current owner or selling it to and leasing it back from a third party have the primary advantage to Smart of increasing the tax benefits from the project to the company. This is possible since owned land as a project cost component cannot be depreciated, thus no tax benefits flow from the land. Under a land lease arrangement, however, the rent paid is a deductible expense for the development entity, thereby increasing the tax benefit while not significantly affecting cost (since cash paid for land can have a similar present value to the stream of lease

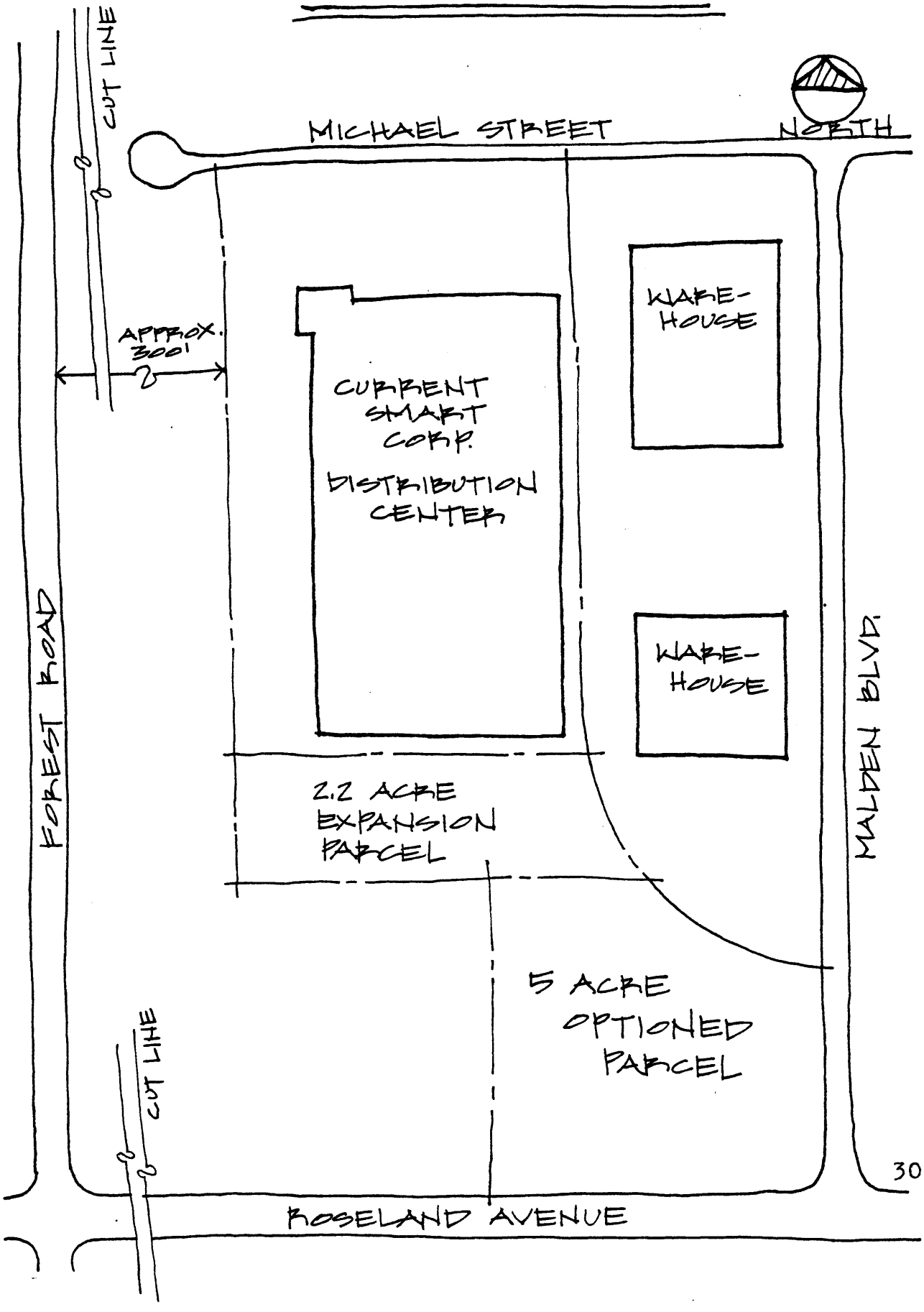
payments).

Due to the uncertainty of the utility of the tax benefits because of pending tax reform, and the lack of experience that Smart has concerning real estate debt, it is not recommended that Smart get involved in a land lease scheme.

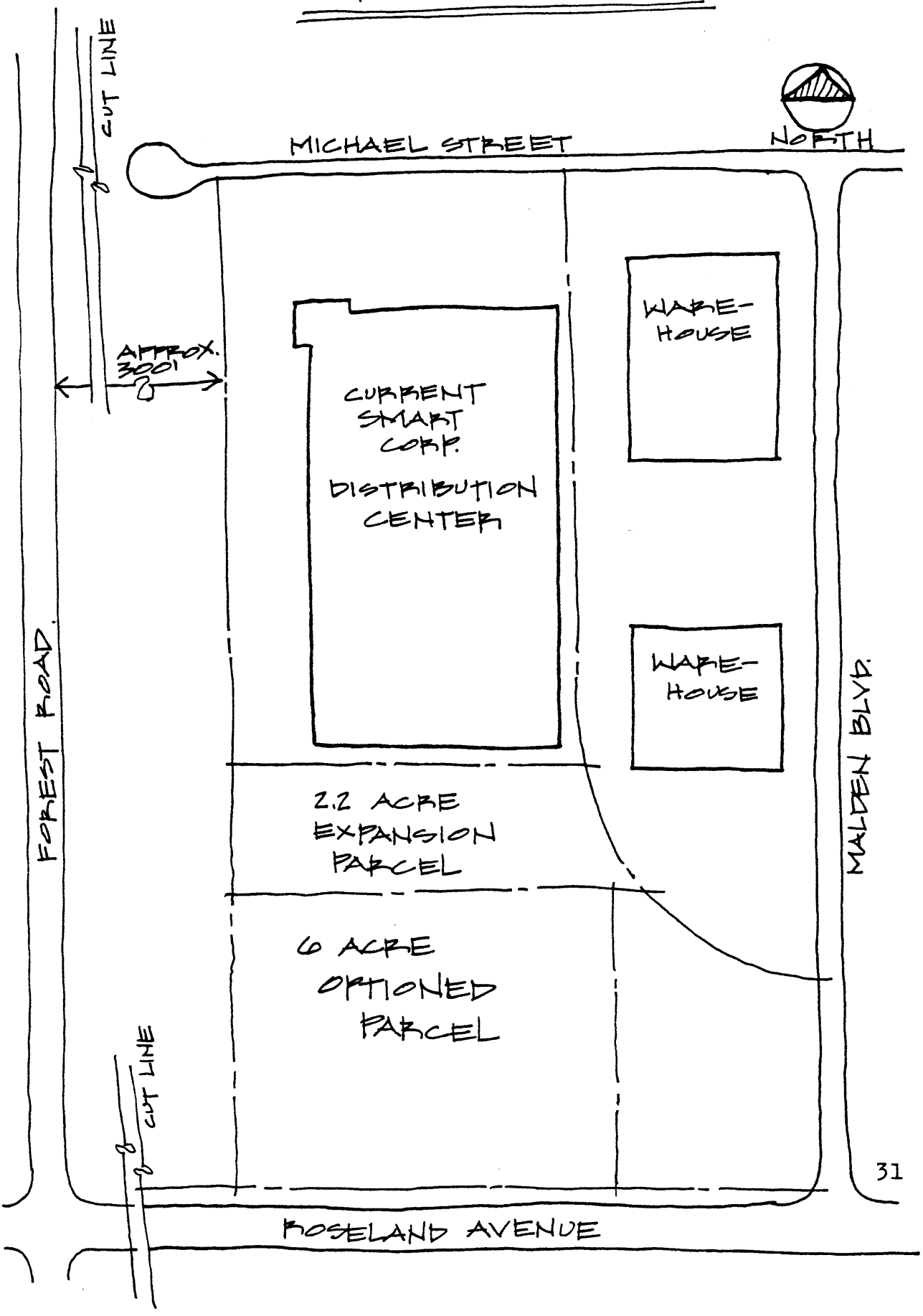
EXPANSION PARCEL



OPTION B


CUT LINE
MICHAEL STREET
NORTH
APPROX. 300'
CURRENT SMART CORP. DISTRIBUTION CENTER
WARE-HOUSE
WARE-HOUSE
2.2 ACRE EXPANSION PARCEL
5 ACRE OPTIONED PARCEL
FOREST ROAD
MALDEN BLVD.
CUT LINE
ROSELAND AVENUE

OPTION B-1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MARKET ANALYSIS

CHICAGO CENTRAL BUSINESS DISTRICT

Objective information in this section is taken from Cushman and Wakefield's 1986 publication Focus on Marketrends.

Central business district office leasing was strong in 1985; the absorption rate was 2,500,000 square feet which is 25% greater than the amount of space absorbed in 1984. About 2,000,000 square feet of new space came on line in 1985 and the vacancy rate stood at 12%. The market is considered a tenant-dominated one in which concessions from landlords are commonplace. 1986 will end with an additional 5,000,000 square feet of new central business district space - which will continue the tenant control of the market. Rental rates are predicted to remain at current levels, so larger concession packages are likely in the future.

SUBURBAN

Suburban vacancies in 1985 increased to 18% as a result of 5,000,000 square feet of new space. Despite increasing vacancies, rents increased, probably due to a strong demand as demonstrated by the absorption of 3,500,000 square feet. During 1986, developers have continued to build office facilities at a record pace. With the rising suburban vacancy rates, and rising rents, effective rental rates will fall due to increased concessions resulting from the heated competition.

The table and graph that follow this section summarize important statistical data reflecting the overall condition of the market in the Chicago area. Considering these statistics one category at a time, pertinent conclusions can be drawn.

POPULATION, EMPLOYMENT AND PERSONAL INCOME

Slow growth in population and total employment are ominous harbingers for the future of the metropolitan area. Population, and especially jobs, are generally considered the best measures of demand for space. Since very little space is really ever completely eliminated from a market, growth fosters demand. The percentage of change of both total employment and population are alarmingly low, considering the rapidly increasing amount of space available. One must realize, however, that concern over the small percentage of change is mitigated somewhat by the huge base on which it is calculated.

The fact that aggregate personal income in Chicago has risen at a faster rate than inflation and population during the last six years is a positive sign as well. Increased income means more spending and a "hotter" economy which subsequently induces more demand for space.

INDUSTRY COMPOSITION

Chicago specifically, as the "capital" of the American rust belt, has always been highly dependent upon steel related durable goods manufacturing for its industrial strength and health. Due

to many complex factors, not the least of which is foreign competition, this sector is in decline nationally. The persistent dominance of manufacturing in Chicago is thus an issue of some concern with regard to the space market. On the other hand, the service sector is strong, as it always has been in Chicago. In our increasingly services-dominated society, that is a good portent for the future of a real estate market. The still high (13%) proportion of durable goods manufacturing in the industrial composition of Chicago may represent the stable portion of such industry which will survive. Or, it may represent a portion of economic activity still to be lost to Chicago in the future.

Another positive sign (mentioned in the Cushman and Wakefield report) is that new high-tech construction is on the increase and it currently accounts for 20% of the industrial space inventory. This is especially encouraging because Chicago has long lagged behind its coastal cousins in this important area of economic growth. Unfortunately for this project, much of the high-technology activity in Chicago has tended to concentrate along the east-west expressway, not in the O'Hare area where this project is located. Nonetheless, such activity is a healthy addition to the general vitality of the metropolitan region.

INVENTORY AND VACANCY RATES

The non-central business district inventory of space and vacancy rates have risen sharply since 1984. With construction

of new space still proceeding at record high levels, and the still rising nominal rents, more and more concessions can be expected. Rents in the proformas which describe the various development scenarios, and the sensitivity analysis for rent levels should be considered with reference to the average rental rates per square foot stated in the table attached to this section.

CONSTRUCTION

The obvious imbalance between 1985 non-CBD construction of space (5,000,000 square feet) vs. 1985 non-CBD absorption (3,500,000 square feet) and the extraordinary amount of construction in 1986 (9,000,000 square feet) suggest continued rising vacancy rates and falling effective rental rates. (Vacancy increased from 15% to 18% respectively between 1984 and 1985).

MARKET IMPLICATIONS FOR SMART'S DECISION

Altogether, the market data mentioned here indicate that for speculative space, Smart must set realistic rent up periods and rental rates (as is done in the proformas). Further, leased space may be even more cheaply available than suggested by the average rental rates.

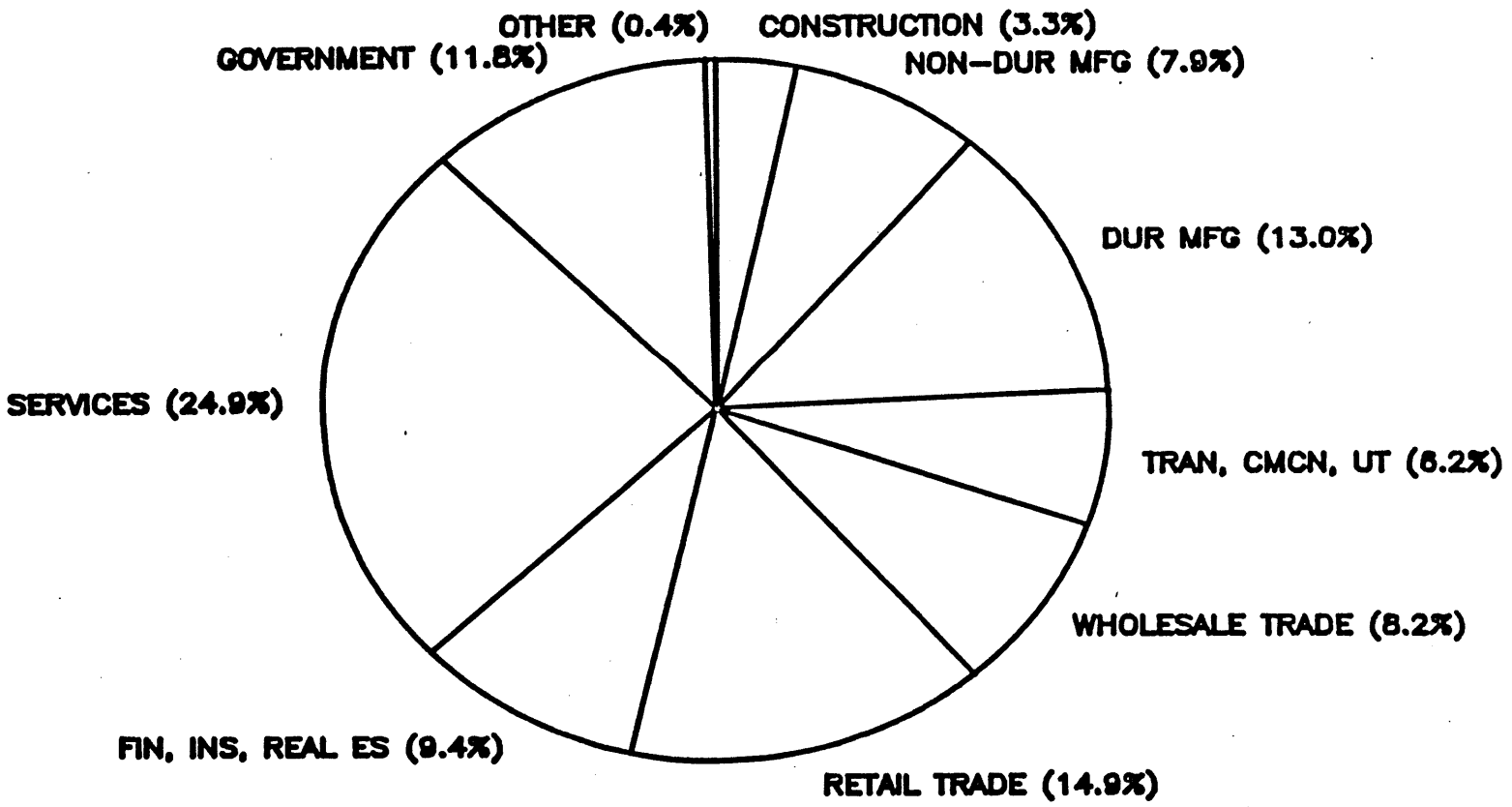
Also, any scenario dependent upon the rental of speculative space to outside tenants must be considered much more unlikely to achieve proforma than those which do not. This added risk must

be weighed along with predicted net present values for each option.

A good way to model this easily within the context of this study is to compare the high vacancy and low rent sensitivity analysis generated net present values of the joint venture scenarios to the low rent sensitivity analysis generated net present values for leased space. This simulates the tenant domination of the market which will likely continue in light of the market data discussion above.

CHICAGO MSA

INDUSTRY COMPOSITION 1986



CHICAGO, ILLINOIS
METROPOLITAN STATISTICAL AREA

	1980	1986	%CHANGE
POPULATION (000)	6,063	6,180	1.9
PERSONAL INCOME ($MIL)	38,673	42,888	10.9
TOTAL EMPLOYMENT (000)	2,909	2,963	.9

INVENTORY AND VACANCY RATES

	1984	1985
CBD INVENTORY (MSF)	93.4	95.4
CBD VACANCY (%)	11	12
NON-CBD INVENTORY (MSF)	22.0	27.0
NON-CBD VACANCY (%)	15	18

CONSTRUCTION ACTIVITY

	1985	1986	1987
CBD (MSF)	2.0	5.0	2.0
NON-CBD (MSF)	5.0	9.0	2.0

AVERAGE RENTAL RATES PER SQUARE FOOT

	1984	1985
CBD CLASS A	20.00	26.00
CBD NEW	27.50	26.00
NON-CBD CLASS A	18.00	20.00
NON-CBD NEW	19.00	25.00

DEVELOPMENT SCENARIOS: JOINT VENTURE

Early in the course of this study, several development options were defined and discussed with an executive from Smart Corporation. From over twenty original possibilities, the options to be modelled were reduced to three basic structures: joint venture, complete ownership of the building and leasing the required space. Each option type is considered with some size and / or locational and financial variations. From the Smart perspective, those included are the most feasible options.

The concept of a joint venture with Smart as a limited and equity partner is one of the basic structures to be modelled. This seems to be a logical fit for both Smart and a developer since it serves the positions, needs and objectives of both the limited and general partners well. (Smart is the limited partner and a developer is the general partner). The typical developer can thus develop in spite of an endemic lack of liquid cash by virtue of not having to invest his own equity in the project: no initial equity from the developer is required in this structure. However, the developer's development expertise and entrepreneurial ability to manage the project and see it through to completion is utilized, and he can share in the benefits.

Smart as the limited partner, whose legal status thus prohibits an active managerial role, can invest a relatively small amount of equity and earn returns on it while fulfilling

its space needs simultaneously. The corporation can reduce its own space occupancy cost while exposing itself to very limited risk. The limited partnership joint venture allows considerable flexibility of operation, and the complete pass through of benefits which characterizes partnerships generally.

Smart shares in substantial tax benefits, cash flows and proceeds from sale or refinancing. The corporation directly benefits from the value of its triple A credit rating and, in effect, can capitalize its lease with the partnership by sharing in its benefits. Benefits from the partnership help offset the rent payment made as a tenant, thereby reducing the total occupancy cost. Paying rent into the partnership also allows Smart to use the tax benefits of rent payments which would remain a business expense, as they are in any scheme in which rent is paid for space which is used to conduct one's business.

Returns and ownership of the project can be apportioned according to the mutual agreement of the partners and within some legal, accounting and IRS constraints which are all kept in the models in this report. The primary objectives of the regulations are to ensure that benefits from the project are not distributed solely to evade taxation; there must be substantial economic reason for the distribution of returns. Returns in the models of this investigation are basically distributed according to the 50/50 ownership of the limited and general partners. Smart is half owner of the building and there is considerable risk in

that. Especially when compared to simply renting space for their own use as they now do. The project's success is dependent upon market conditions if speculative space is built by the partnership. Logically, this should be done so that other tenants help offset Smart's occupancy in the building by paying rent into the partnership. There is also considerable reliance on the basic integrity, expertise, interest and longevity of the developer general partner who must be chosen very carefully by Smart.

Though partnerships generally lack continuity and transferability of interests, the limited partner's right to assign is generally unrestricted; the new partner would have the same rights and obligations as the original one. General partners are usually more restricted in terms of transferability.

However, if a limited partnership has more than two of the following characteristics, it can lose favorable tax treatment from the IRS: 1. continuity, 2. centralization of management, 3. limited liability, 4. free transferability of interests. A problem may occur if a corporation is the sole general partner since this would give the partnership the corporate characteristic of limited liability. This should be considered when Smart chooses a general partner developer. However, the corporate general partner could help the entity survive beyond the health or life limitations of an individual. Many government regulations have been established to protect the investor in

limited partnerships, largely due to abuses that resulted from the syndication business.

Safe harbor rules have been developed by the IRS which set minimum net worth requirements for the corporate general partner and ownership requirements wherein the limited partners can not own more than a certain percentage of a corporate general partner.

Some basis difficulties could exist wherein the partner's basis in the real estate is limited to the equity investment plus the partners' share of liabilities for which no partner is liable. This is not a problem in the following models since the loan is assumed to be a nonrecourse one.

There is also a fundamental question of whether or not Smart wants to be in the real estate business or whether it wants to just go about its own business, which is unrelated to real estate. As a corporation, Smart must deal with the issue of how a sizable debt will affect its balance sheet and earnings.

Many corporations which become involved in real estate deals, such as the joint ventures set out here, establish an unconsolidated subsidiary with which to carry out their real estate activities. This allows the corporation to keep the debt off its balance sheet; typically, the debt would appear in a balance sheet footnote on unconsolidated subsidiaries. Smart would probably have to reduce its ownership to 49% to do this. Of course, such a structure should be developed only with legal

and tax counsel.

Finally, there is a built-in conflict for Smart which is caught in the dichotomy of being tenant and landlord simultaneously. The corporation is really taking money out of one pocket and putting it in another, by paying rent to the partnership and taking profits and other benefits from it.

Some of the specific information on joint ventures is taken from: Real Estate Investment, by Pyhrr and Cooper, Wiley, 1982.

VARIATIONS

The joint venture scenarios which will be explored in this investigation are listed below. Smart Corporation's spatial requirements are for 100,000 square feet of first class office space. Where any scenario includes 200,000 square feet, 100,000 is assumed to be speculative space to be rented at market rates.

JOINT VENTURE 1
50/50 OWNERSHIP OF 200K SF BLDG ON OPTIONED SITE

JOINT VENTURE 2
50/50 OWNERSHIP OF 200K SF BLDG IN OFFICE PARK

JOINT VENTURE 3
50/50 OWNERSHIP OF 100K SF BLDG ON OPTIONED SITE

JOINT VENTURE 4
50/50 OWNERSHIP OF 100K SF BLDG IN OFFICE PARK

COST AND PROFORMA ASSUMPTIONS

Project costs as shown in the estimates which precede each proforma in the appendix, the structure of the deal and all proforma assumptions were developed and checked using the

following resources: author's experience and education, Means Construction Cost Guide, the Smart Corporation and its corporate parent, the developer who currently owns the optioned property, a local real estate broker, several local and Chicago metropolitan area market studies and common sense. The developer who owns the site was especially helpful since his first-hand knowledge of all the issues involved are the most current information available.

Most of the assumptions used in each of the proformas are obvious and evident from the list of assumptions at the top of each proforma. Assumptions with derivations or applications which are not obvious are discussed below. Additionally, assumptions made about the structure of the deal are mentioned below when not necessarily obvious from the proformas.

The six acre option site is assumed when the option site is used. In the office park, a six acre site is also assumed for all options for consistency (see site analysis for possible zoning dilemma with the 200,000 square foot building on a six acre site).

It is assumed that a permanent loan for 90% of the total development cost of the building would be available since Smart has an excellent credit rating and would be preleasing half or all of the space available. Construction loan interest is estimated at (.5 X INTEREST RATE X PRINCIPAL) since with monthly drawdowns, this appears a reasonable average outstanding balance for a twelve to fifteen month construction project. Construction

and permanent loan interest rates were obtained from the developer who now owns the optioned sites, and are considered reasonable, given current financial and space market conditions. Similarly, the real estate tax and operating costs were set. Discount rates before and after tax were set based on reasonable expectations of return on alternative investments required by both Smart and the developer. Rents were set by market conditions and then tested against project performance requirements. The permanent loan in all the joint ventures is assumed to be an interest only, nonrecourse one with principal payment due at the end of fifteen years.

Occupancy costs and their tax treatment were developed with the assistance of Smart's corporate parent's real estate division which has vast experience in these matters. The occupancy cost entry called relocation costs includes employee moving and living allowance cost estimates by Smart, taking into account company policy and the estimated employee eligibility and use of such benefits. Though the new site is within the same metropolitan area as the current headquarters, Chicago is large enough to cause employees to exceed travel distance thresholds because of changes imposed on employees who commute from the opposite end of the metropolitan region.

Evaluation of the sublease was calculated by assuming a constant maximum market value for the space (long term sublease) which was set by a local broker familiar with the market in the

downtown area, where Smart's current headquarters is located. The difference between that theoretical maximum value and the actual rent payable by Smart through 1998 was halved since the market is slack for comparable space. This "profit" would be income for Smart, so it is taxed at the ordinary income rate. Operational expenses above those paid for by the landlord are assumed constant throughout all the space alternatives (including the currently leased space) and thus are ignored throughout.

The spreadsheet was set up assuming approximately a year to a year and a half construction period with a similar rent up period. The first occupancy year vacancy rate is set at 40% of the speculative portion of the space to reflect the longer end of the spectrum needed to rent the 200,000 square foot buildings. The vacancy rate is considered to be an average of 5% for the speculative portion of the space throughout the building's holding period. For the 100,000 square foot buildings, in which Smart is the only tenant, all construction and move in activities are assumed to take place in years one and two and are covered by the initial budgets set up for these and other contingencies in the project cost estimate. The construction loan principal and interest are completely taken out by the permanent loan. Smart moves into the new building by the beginning of 1989 and continues to rent its old space until then.

Stepping through the proforma, many additional assumptions are inherent. Leases are considered to be for five years,

inflation is 5% per year and is applied to rents and expenses. If operating deficits occur, they are small and are assumed payable from contingency funds.

Smart Corporation, as the limited and equity partner, receives 10% of its equity as a priority return of cash benefits. Smart receives the first 10% of tax benefits for cases in which the total tax benefits exceed 10% of equity. If total tax benefits generated are less than 10% of equity, they are split in the same way as excess benefits. Similarly, if taxes are due on income from the partnership, they are paid 50/50 by Smart and the developer. Excess benefits remaining are also split 50/50 between Smart and the developer. At the sale, Smart's equity is returned in full before the proceeds are distributed.

After-tax returns are calculated using the current tax codes and an assumed 50% bracket for both the developer and Smart. This bracket implies a 20% tax on capital gains and that is the rate used in the proformas. Clearly, the 50% and 20% rates are an approximation for Smart as a corporation, but one with which the management and financial officers there are comfortable. Using these rates consistently shows the effect of taxes on the various options.

Though at the time of this report some change seems inevitable in the tax code, the exact form the reform will take is difficult to predict with any certainty. Implications of a

possible change in the tax code for the decision making process are discussed in the analysis section following the proformas.

Noncash depreciation and amortization expenses are calculated using the schedules set out in the project cost estimate section of the proforma. Losses are distributed via the same priority and excess scheme as the cash benefits: a 10% of equity priority return to Smart and the remaining excess distributed 50/50 between Smart and the developer. Smart's total after tax occupancy costs are calculated by combining the return from the partnership and the tenant costs with their respective tax implications.

Finally, the sale is worked out to calculate the before and after-tax proceeds for both the developer and Smart using the structure of the partnership and the tax implications of ownership as guides.

A partitioning analysis is performed on the after-tax NPV of the total occupancy cost for Smart, which breaks it into occupancy costs, cash, tax benefits and residual components. The significance of these numbers is discussed and clarified in the proforma analysis section of this report.

The occupancy cost component of returns consists of moving costs, rent, fit up, old building sublease proceeds, relocation expenses and furniture and fixtures. Cash from the partnership and equity comprise the cash component. All tax benefits, both those from the partnership and those from occupancy expenses, are

added into the tax benefit partition of the returns. The residual is the after tax sale proceeds; the tax on sale proceeds is not part of the tax benefits.

DEVELOPMENT SCENARIOS: COMPLETE OWNERSHIP OF BUILDING

Being basically a conservative, risk-adverse organization, the idea of a simple ownership of the required space is a logical alternative to be modelled from the perspective of Smart. As is mentioned in the site analysis section, this was the form of control and ownership chosen by Smart for the distribution center adjacent to the optioned site.

Ownership is the most obvious method by which to maintain control of the building and the development process. As owner, Smart can hire a merchant builder to carry out its building program and thus rely on a developer or builder during the development phase only. And, even then, the relationship would be an arm's length one, since responsibilities and obligations could be allocated clearly by contract. In fact, this type of ownership would be well suited to a traditional architect designed, competatively bid development process which typically provides the greatest protection and the least required "trust" between the principal parties involved.

Obviously, someone would have to be responsible for decision making at Smart and for organizing the process of development for the company; this kind of owner representative would be necessary in any method of building or developing space. But, being involved in a simple ownership, traditional design and bid process would likely demand that the Smart representative be more expert in the building process than such a representative needs

to be in a design-build or construction management process where the builder is entrusted with much of the development management responsibility.

By its nature a very conservative scenario, complete ownership could be accomplished with an all cash or a leveraged scheme. The issue of debt on the balance sheet thus does not necessarily need to be addressed. But, the cost of cash tied up in the building must be considered. All of the benefits of ownership, including appreciation and residual value can be totally retained by Smart. Hence, the inherent value of the guaranteed occupancy of the Smart lease need not be shared with a partner. Financial and market risk is mitigated since Smart is the only tenant if this type of scheme is employed; the corporation is not interested in developing speculative space under this kind of ownership scheme. Unlike the joint venture arrangement, there would be no tenant-landlord dichotomy or conflict of roles for Smart with simple ownership.

Perhaps most essential of all, Smart would stay fundamentally in its own business and would build custom space for its own use; it would not become a developer dependent upon cash flows and real estate market conditions. If the company chooses not to finance, a huge amount of cash would obviously be required up front.

VARIATIONS

COMPLETE OWNERSHIP 1
BUILD AND PAY CASH FOR 100K SF BLDG ON OPTIONED SITE

COMPLETE OWNERSHIP 2
BUILD AND FINANCE 100K SF BLDG ON OPTIONED SITE

COMPLETE OWNERSHIP 3
BUILD AND PAY CASH FOR 100K SF BLDG IN OFFICE PARK

COMPLETE OWNERSHIP 4
BUILD AND FINANCE 100K SF BLDG IN OFFICE PARK

COST AND PROFORMA ASSUMPTIONS

Project costs, deal structure and the proforma assumptions used to generate the complete ownership options and returns are very similar to those used for the joint ventures. The information was likewise obtained from the same group of sources acknowledged at the beginning of the section on joint ventures. Obviously, in these options, quantitative assumptions are different and may be understood by studying the project cost estimate and the assumption list at the beginning of the proformas for each of the complete ownership options. Only those assumptions which are conceptually alien to the assumptions discussion for the joint venture structure are mentioned specifically below.

Since the complete ownership options have only Smart as a tenant (Smart executives feel development for profit without the assistance and expertise of a developer partner would be an unlikely scenario), "market" income and expenses are projected for the purpose of establishing an eleventh year net operating

income. This sum may then be capitalized to obtain a sales price, so that residual values may be calculated; tenth year liquidation is assumed as in the joint venture scenarios. A zero vacancy reserve is justified since Smart is the only tenant, and would completely occupy the building throughout the holding period.

Project cost and loan structures and costs are clearly spelled out, and are structurally similar to the joint venture options. A fifteen year interest only permanent mortgage is once again assumed. Of course, since Smart owns the whole deal in each of these cases, returns for a developer-partner are not tracked.

Rather than tracking the capital account (as was done for each partner in the joint venture structures), the sale is worked out by using the undepreciated basis of the building. Both methods yield identical results, and each is logically employed considering the proforma structures each of them concludes.

Partitioning the returns was accomplished the same way here as for the joint venture scenarios, except that the cash component is only the NPV of the equity here since there is no cash generated from a partnership: no partnership exists. Occupancy costs, though they contain no rent, do include the operating expenses paid by Smart as the owner of the building.

In the financed scenarios, interest (which equals debt service since the loan is an interest-only one) is considered an occupancy cost. And, the tax benefits include the benefit from interest payments.

DEVELOPMENT SCENARIOS: LEASED SPACE

Since Smart now houses its headquarters in leased space, the easiest, most straightforward solution would be to continue to fulfil its spatial requirements by leasing space. This would altogether liberate the corporation from the burden of active real estate related management or operation. The most conventional approach, leasing space would require no explanations to stockholders or the parent corporation. Again, as in the wholly owned scenarios, the tenant-landlord dichotomy of the joint venture would be avoided. Smart would stay involved in its own business, and not diversify into real estate.

Financially, a lease arrangement would obviously perpetuate the corporation's obligations to pay rent, which would be deductible as a business expense. Obviously, there would be no possibility of revenue from real estate as in some of the other scenarios. No substantial debt would be incurred, but lease obligations are major liabilities just as well. And, though less front end capital might be required, it is likely that the overall occupancy cost of new leased space will be greater than that of space occupied in a development project.

More generally, Smart as a tenant would be market sensitive and prone to victimization by market and landlord rent variations (protected only by its skillfully negotiated lease). There would be little real control over the form or the operation of the building. Though less risky in terms of financial liability,

heavy reliance would remain on the landlord relationship for services and the quality level of the building.

VARIATIONS

LEASED SPACE 1
REMAIN IN DOWNTOWN EXISTING SPACE

LEASED SPACE 2
LEASE NEW SPACE DOWNTOWN

LEASED SPACE 3
LEASE NEW SUBURBAN SPACE IN NEARBY OFFICE PARK

COST AND PROFORMA ASSUMPTIONS

Structurally, the leased options vary from joint venture and ownership ones primarily in that they project only occupancy costs - including rent, but contain no building or partnership performance tracking. Likewise, no residual can be assumed since no ownership is possessed by Smart. The occupancy costs and tax implications are calculated in the same way as these costs were calculated in the ownership scenarios.

For the current premises, actual rents from the current (through 1998) lease were used. Renovation costs over the term of this lease were estimated, based on historical expenditures of Smart while occupying this space. Because of the current substandard and poorly organized premises, it is obvious that some major renovation will have to be done if these offices remain Smart's headquarters; such renovation costs would be treated as expense and therefore deducted in the tax year during

which they were incurred. Renovation costs logically are smaller than total fit up costs expended on new space.

Similarly, some furniture and fixtures must be replaced, even if no move is undertaken. But, this cost too is presumed considerably lower than it would be for a move, in which the propensity would be towards a more extensive general furniture replacement program.

All of the pertinent occupancy costs and the values of the old lease are calculated and projected the same way in the leased alternatives as they are in the ownership ones. Partitioning of returns is also accomplished using the after-tax NPV, but here only includes occupancy costs and tax benefits.

ANALYSIS OF PROFORMA RESULTS AND DEVELOPMENT SCENARIOS

Analysis of the various options and development scenarios is a complex and multifaceted endeavor. It is not sufficient simply to compare the net present values of the scenarios and choose the cheapest option, as one would select the low bidder to be the contractor on a construction job. Rather, each option must be carefully weighed against the philosophy, goals and needs of Smart, and the outside constraints and forces affecting the decision.

All of the preceeding sections of this report have helped form the "environment of mind" in which the decision must be made: sections deal with both internal Smart and external contextual issues which serve to narrow the range of acceptable actions.

NET PRESENT VALUE

Next, it is assumed that the reader is familiar with the concept and calculation of the net present value financial measurement. Net present value is the only appropriate measure for this analysis for several reasons. Most essentially, it is the only tool which can be used consistently to compare all of the scenarios. Since many of the scenarios have only negative cash flows, internal rates of return become meaningless and difficult to interpret. Internal rates of return are likewise misleading, even when they are more appropriately considered,

since the IRR calculation assumes that all cash flows are reinvested throughout the project at the same rate of return: an unlikely, if not impossible, course of events.

Net present value is simply a discounted cash flow analysis which is based on the assumption that (in this case), Smart Corporation is indifferent between the alternatives of having the net present value sum at the beginning of 1987 or the projected cash flows from 1987-1998 with the 1987 value is that sum. The discount rates are set according to assumptions mentioned earlier.

In other words, the net present values discussed comparatively below are equivalent to the discounted cash flows projected in the proformas for the respective options. The basic premise of discounted cash flows is that a dollar in hand today is worth more than a dollar received one year from now or much more than a dollar received ten years from now. In the cases of negative NPV's, such as are generated in all eleven scenarios, the premise is that a dollar spent in the future is equivalent to less than a dollar spent today.

Other financial measurements are included in the proformas and are discussed where appropriate in this analysis. Rents were checked against ROI, etc., but this sort of analysis does not serve Smart in comparing scenarios.

SENSITIVITY ANALYSIS

With this basic and powerful NPV comparative measure in

mind, the scenarios are each analyzed by testing the sensitivity of the overall returns, as measured by the before and after-tax NPV's, to changes in some of the critical variables. Since the possibilites are nearly limitless, the following systematic approach to sensitivity analysis was taken. First, the variables which are tested are: building cost, rent level, vacancy rates, income tax rates and the inflation rate. These were chosen as the most logical simulators of possible conditions which could affect the building performance (and the cost of occupancy for Smart) in the future. For each variable, low and high cases were added to the base case assumptions to create a sensitivity of NPV to a fall or rise in each particular variable value. In each sensitivity analysis, all variables except that being tested remain constant at the base case assumption levels.

GENERAL DISCUSSION BY SCENARIO TYPES (Graph 1)

Ranking scenarios by total before tax occupancy cost is a good way to begin the analysis since total occupancy cost minimization is the stated objective by which Smart will make its real estate decision. Before-tax NPV's are used initially rather than after-tax ones since the tax situation is currently so uncertain; tax effects on the scenario returns are discussed later. Ranked by before-tax NPV from most economic to most costly, the scenarios are:

NPV	SCENARIO
(5,929,845)	CO 4: BUILD AND FINANCE 100K SF BLDG IN OFFICE PK
(6,386,178)	CO 2: BUILD AND FINANCE 100K SF BLDG ON OPT SITE
(7,594,733)	LS 1: REMAIN IN EXISTING DOWNTOWN SPACE
(9,017,315)	JV 2: 50/50 OWNERSHIP OF 200K SF BLDG IN OFFICE PK
(9,413,304)	JV 1: 50/50 OWNERSHIP ON 200K SF BLDG ON OPT SITE
(10,148,196)	JV 3: 50/50 OWNERSHIP ON 100K SF BLDG ON OPT SITE
(10,390,983)	CO 3: PAY CASH FOR 100K SF BLDG IN OFFICE PARK
(10,392,181)	CO 1: PAY CASH FOR 100K SF BLDG ON OPTIONED SITE
(11,076,789)	JV 4: 50/50 OWNERSHIP ON 100K SF BLDG IN OFFICE PK
(14,472,814)	LS 3: SUBURBAN LEASED SPACE IN OFFICE PARK
(18,053,320)	LS 2: NEW LEASED SPACE DOWNTOWN

Scenarios are discussed below in this order (of decreasing attractiveness to Smart - based on before-tax NPV's for each option).

CO 4: BUILD AND FINANCE 100K SF BLDG IN OFFICE PARK, AND

CO 2: BUILD AND FINANCE 100K SF BLDG ON OPTIONED SITE

These complete ownership options by Smart are structured with the assumption that Smart would build itself a 100,000 square foot new headquarters to meet its own needs and design criteria. The two scenarios are considered together because they are structurally very similar; the reason that a building near the optioned site is slightly preferable is that the higher land cost is more than compensated for by the higher residual, which

is based on the higher capitalized rent stream for the more "valuable" building near, rather than on, the optioned site.

Financing rather than paying cash for complete ownership options makes extraordinarily good sense because the high opportunity cost of the large sum of capital tied up in the project for cash deals (CO 1 and CO 3) is accurately modelled with the discounted cash flow used here. CO 1 and CO 3 are in the range of $10.4 million NPV as opposed to these two options costing around $6 million each.

Compared to the joint venture options, the complete ownerships are virtually risk free in the long run. They are affected much less by outside and uncontrollable forces than the joint ventures. Once the construction period risk has been passed and long term financing is in place, Smart is not dependent upon being a landlord or dealing with a partner. The question of control over the building (which is sorely lacking for Smart as a limited partner in the joint ventures) is not an issue here either, since as owner and occupant of its own space, Smart can build in whatever fashion it wishes.

CO 4 and CO 2 are preferable to the next best alternative (LS 1: REMAINING IN THE CURRENT DOWNTOWN SPACE) since the complete ownership options are cheaper in the long run and give the obvious opportunity for Smart to vastly improve its spatial quality. Structurally, the reason the ownership options can be of less total cost to Smart than the current cheaply leased space

is because, though they have greater yearly occupancy costs, the assumed residual portion (resale value) of the building more than compensates for the slightly higher annual cost. Obviously, there is no residual for Smart when it leases its space.

If Smart chooses to build and own custom space for its use as in the options being discussed, it must face up to the uncertain nature of the residual value which is modelled in the proforma. Though logically derived by practices which are standard to the industry, outside forces can drastically affect the actual market value of the building ten years out. Many of these sorts of forces are modelled, and results are graphed and discussed later, in the sensitivity analysis.

LS 1: REMAIN IN CURRENT DOWNTOWN SPACE

With the long term, below market cost lease in place, it is no surprise that this scenario is among the cheapest for Smart. What is surprising is that any options can be cheaper than this one (as explained above). The obvious advantage of staying in the current space is the complete predictability of costs and the high confidence level that Smart can have that it will not greatly exceed modelled costs. The disadvantage is a continued occupancy of substandard space.

JV 2: 50/50 OWNERSHIP OF 200K SF BLDG IN OFFICE PARK

JV 1: 50/50 OWNERSHIP OF 200K SF BLDG ON OPTIONED SITE

Because they are structured identically and their NPV's are

quite close, these two similar joint ventures can be considered together. JV 1, built on the optioned site, is slightly more expensive for Smart for the same reasons that the financed complete ownership on that site is more expensive: greater land cost in the office park is more than compensated for with higher rents and higher residual value.

Though Smart can get equally desirable space through these scenarios (equal to that produced under complete ownership options), and can enjoy the advantages previously discussed which are the complimentary objectives and capabilities with a developer general partner, joint ventures are unquestionably riskier for Smart. Even with its limited partner status and its intent to venture with only highly reputable developers, Smart, as a deeply pocketed corporation (with an even wealthier parent corporation) must be considered vulnerable to litigation should any problems occur.

In addition to an uncertain residual, the entire operating income is uncertain because there are market and financial risks which make Smart dependent on income from the partnership (which is somewhat tentative) to achieve the occupancy cost NPV's as modelled. The two joint ventures above, with their need to lease 100,000 square feet of space to tenants, are very vulnerable to the risks outlined in the market analysis section.

Joint ventures also present some complications to the corporation which it may wish to avoid. It must become a

landlord. Though it would not be responsible for the development or management of the building, nonetheless, Smart would be in the real estate business. Similarly, open legal questions exist concerning effects of this type of business activity on the stock and balance sheet of the company (see unconsolidated subsidiary discussion in the joint venture structure and assumptions section).

A 200,000 square foot building on the optioned site presents numerous zoning hurdles as well (see site analysis). Many of these would be similar on an equally sized site in the office park.

In summary, though fairly favorable in terms of total cost, the joint ventures with speculative space present an increased amount of risk and complication to Smart because they place it in a new (real estate) business, and make it vulnerable to the market weaknesses of that business as discussed in the market analysis section.

JV 3: 50/50 OWNERSHIP OF 100K SF BLDG ON OPTIONED SITE

This option presents as its sole advantage for Smart, a built-in developer coordinator of the project. Since Smart is the only occupant of the building in this case, there is no inherent risk for the developer or Smart. Smart loses most of the control over this scenario as opposed to those structured around complete ownership for Smart; the corporation also gives

away almost half of the benefits generated by its occupancy. This option really has all the disadvantages of the bigger joint ventures without having the low total occupancy costs of the financed complete ownerships or the bigger joint ventures.

If Smart wants to build only the amount of space it needs, it should retain the considerable advantages and profits flowing from its occupancy, rather than handing half of it over to the developer for no particularly advantageous reason.

CO 3: BUILD AND PAY CASH FOR 100K SF BLDG IN OFFICE PARK

CO 1: BUILD AND PAY CASH FOR 100K SF BLDG ON OPTIONED SITE

Interestingly, CO 3 and CO 1 are very close in total cost to Smart. In this pair, as in the 200,000 square foot joint venture pair discussed earlier, the office park site scenario is slightly advantageous to Smart over the optioned site location. The same reasoning applies here to explain this: the higher office park land cost is more than compensated for by the larger residual (capitalized rent stream). It is important to understand the structural characteristics which cause these two deals to be counted among the more expensive ones for Smart. -The discounted cash flow analysis accurately models the disadvantages to the corporation of paying cash for the building.

The huge capital outlay goes into the project at its outset, and thus is barely discounted when carried back to the base year in the analysis. Though the residual is a large positive influx for Smart, it is received ten years into the project and is thus

severely discounted. These two major flows, combined with operating flows similar to other scenarios, cause the greater expense to Smart.

Conceptual advantages and disadvantages here are identical to those for CO 4 and CO 2. The mechanical issues above explain why these become so relatively expensive as unfinanced ownership options. More broadly, this is an expensive set of options for Smart because of the fact that they are the options which require the most cash in a chunk and the earliest and total use of it. Leveraging requires the largest influx of cash at the project's end (especially with an interest-only loan as is assumed in financed deals) when there is a fat residual from which to take it. The large difference in NPV's between this set of cash options and the leveraged options accurately models the enormous opportunity cost to Smart of unnecessarily using so much of its cash for real estate.

Unfinanced ownership presents no less risk to Smart than financed ownership (as modelled in CO 4 and CO 2). It does, however, cost Smart a great deal more.

JV 4: 50/50 OWNERSHIP ON 100K SF BLDG IN OFFICE PARK

This option does not "pair" in ranking with its locationally varied twin, JV 3, which is the same structure and size, but located on the optioned site; almost a million dollars separates their NPV's. Studying the proformas carefully suggests an answer

for this.

In JV 4, Smart throws away a considerably larger sum of money, giving it to the partnership, than it does on the 22% cheaper to rent JV 3. This underlines the weakness discussed in the analysis of JV 3: that the corporation is giving away half the inherent value of its occupancy when it joint ventures for a building only large enough to house itself. The difference in this option, which makes it so much more expensive for Smart, is that the sum given away is a larger one due to the higher rent and residual.

This differential is further reinforced by the priority distribution provision of the partnership. With less money to distribute in JV 3, and a similar priority distribution to Smart, proportionally more proceeds go to Smart than in JV 4. Of course, this can only be true when considered with the higher rent paid by Smart in JV 4.

All things considered, the same prohibition exists here as in JV 3; Smart should look upon its occupancy as a valuable asset, and not give it away without receiving something valuable in return.

LS 3: SUBURBAN LEASED SPACE IN OFFICE PARK

LS 2: NEW LEASED SPACE DOWNTOWN

Leasing new space, whether suburban or downtown, is the most costly option open to Smart. It is expensive largely because there is no residual to Smart. All money spent for rent is

really lost to the profit statement of the landlord. Though little risk is taken, few rewards are gained, and the total occupancy cost to the corporation is excessively and avoidably high.

Smart should look upon its good credit rating, sound lease (its committed space consumption), and responsible tenancy as valuable assets. In continued leasing of space, the corporation literally gives these assets away.

RISK

Throughout the prece ding discussion and indeed, throughout the entire report, the terms conservative, progressive, risk, riskier, etc. have been used to describe the various real estate options and scenarios being discussed. As the ranking by NPV's for the before tax base cases (above) quantifies the relative attractiveness of each option suggested by its base case assumptions (explained earlier), the sensitivity analysis tests each scenario for its relative sensitiveness to changes in various factors which might affect the total occupancy cost for Smart. Results are quantified by the sensitivity analysis and illustrated before taxes by Graphs 2 through 5.

Risk can be defined in this context as the possibility that Smart will not obtain its occupancy for the cost suggested by the base case proforma models. To make an intelligent decision, Smart must be able to answer the question: how would the

relative costs of the options change if something other than the base assumptions took place? Understanding the structural compostion of each scenario's returns (as analyzed by the partitioning of results shown in Graphs 6 through 16) also helps to locate the vulnerabilities and strengths of the various options.

Interpreting Graphs 2 through 5 is really quite simple at this juncture, since by now the reader is familiar with the various options. Generally, the closer the high and low symbols on the graphs are to the base case ones, the less sensitive any particular scenario is to the variable being tested. This is true since a uniform percentage change in any variable in all scenarios affects each of them differently. It is this relative reaction to a variable change that suggests an option's vulnerability (sensitivity) to the variable being tested.

CONSTRUCTION COST (Graph 2)

Construction cost, of course, can vary due to the particular vision of the corporation of what an appropriate Smart building should be. This can also be used as a modelling of what might happen if building cost is changed due to tight or loose management of the construction process, or delay of the project until after an intervening deflationary or inflationary period changes construction cost levels. High and low values in each scenario are set at 10% higher and 10% lower total construction

costs than those that are assumed in the base case for each scenario.

The leased options demonstrate no sensitivity to construction cost changes since Smart is uninvolved with the construction of the building in these alternatives. A remote argument could be made that construction cost changes might be partially passed on to Smart by a landlord, but the corporate lease used by Smart is really too tight to allow that to occur. Furthermore, it is assumed that Smart would negotiate its lease to obtain proforma effective rates without regard to the construction cost of the building.

CO 2, CO 4, JV 3 and JV 4 are next least sensitive to building cost changes. The smaller absolute change because of the 100,000 square foot building size, the mitigative effect of leveraging in the above cases, and the sharing of risk in the joint ventures combine to shield Smart from construction cost changes. JV 1 and JV 2, being bigger buildings with subsequent high absolute cost changes, though shared and leveraged, are more vulnerable to construction cost changes. CO 1 and CO 3 are somewhere in between with moderate sensitivity to construction cost.

INFLATION (Graph 3)

Inflation was assumed at an annual rate of 5% for all revenues and expenses in the base cases. The sensitivity analysis tests with a low rate of 2% and a high rate of 10%.

Historically, inflation has varied dramatically due to forces which are obviously outside the control of Smart or a developer. Inflation is assumed a constant rate over rent and expenses.

Only LS 1, with its long-term lease in place, is completely insensitive to inflationary forces. The unsymmetrical high and low effects of inflation are due to the unsymmetrical rates sensitized, with respect to the base case rate. The reader must realize that inflation here has an inverse relationship to owned building occupancy costs (since higher inflation means higher resale and rent, there is thus a lower total cost to Smart). The opposite is true in leased scenarios where rising inflation simply means higher rent for Smart.

JV 1, JV 2, CO3 and CO 4 are most sensitive to inflation since these joint ventures model for the most space and these ownership options model for the more highly priced office park space. The inflation rate percentages clearly compound the larger numbers on which they are calculated.

The CO 1 and CO 2 complete ownership scenarios are relatively uniformly affected by inflationary forces. These are the same size and are both on the optioned site.

JV 3 and JV 4 are less affected by inflation probably because as opposed to the complete ownership scenarios, the results to Smart are mitigated by virtue of their shared ownership.

LS 2 and LS 3, wherein all inflationary forces are passed

directly to Smart in the form of rent change, are affected by inflation proportionately to the size of their NPV's. In these leased options, higher inflation means greater total cost to Smart. In options of which there is any ownership by Smart, higher inflation reduces their total occupancy cost.

RENT (Graph 4)

Rent level changes simulate a softer or tighter space market for each scenario. Low values at 10% less than the base case and high values at 10% more are tested for each scenario. Rent level is changed in joint ventures only for the speculative market portion of the space, not for the space in the building which is occupied by Smart. Since no rent passes hands in the complete ownership (and occupancy) scenarios, rent level changes are assumed not to affect them.

A case could be made to vary rent values for all the space, even when a scenario includes sole occupancy by Smart, since market rents and NOI are tracked to establish a sales price in every case; the residual would thus be affected by rent level changes, but indirectly. Since the sales price is so conjectural, and the building value could be affected by things other than rent, and the zero vacancy assumption is used to value the building (assuming a 100% occupancy by Smart over the holding period of the building), rent escalation appears unrealistic even with outside forces suggesting it. It is illogical to imagine

effects of rent changes on a building wholly occupied and completely owned by Smart.

Graph 4 illustrates simply, but clearly, that rising rents hurt Smart (make NPV more negative) in the leased scenarios other than remaining in the current space (LS 1). In the joint ventures with speculative space, however, rising rents benefit Smart by increasing returns to the partnership, which are shared by Smart, thereby decreasing Smart's total occupancy cost.

VACANCY (Graph 5)

Average vacancy rates are calculated in the appropriate base cases at 5%. A higher level of 10% and a lower one of 2% are tested in the sensitivity analysis. As with the rent level, only the speculative portion of the space in joint venture scenarios is sensitized for vacancy rate changes. The complete ownership and rental scenarios are not tested for vacancy changes. Though market net operating income is tracked for the purpose of calculating a residual value in the complete ownership scenarios, no vacancy is assumed since Smart would be a 100% tenant of the building throughout the holding period.

Graph 5 is self-explanatory, with only the joint ventures which include speculative space showing effects of vacancy on total occupancy cost to Smart. Even doubling the vacancy rate of the speculative space from 5% to 10% does not affect occupancy cost very much since vacancy is only calculated on half the space and it is so small a component of total occupancy cost.

It is safe to assume that there is no clear and dramatic sensitivity of total occupancy cost for Smart due to reasonable changes in average vacancy rates. However, since vacancy is treated as an averaged constant rate, Smart should be aware that cash shortages or deficit years are possible during the lease turn years, for scenarios in which speculative space is included.

Additionally, similar to the discussions on some of the other sensitized variables, an argument can be made that vacancy rates indirectly affect Smart's total occupancy cost because of the effect vacancy generally has on market conditions. For example, high vacancy rates in the area could decrease Smart's total occupancy cost in space that it leases if the soft market allows Smart to negotiate a more favorable lease than is projected in the proforma. This type of issue is difficult or impossible to model quantitatively, but should be considered as an additional qualification to enter Smart's thinking as it chooses a course of action. The market analysis section touches on some of these issues.

AFTER-TAX ANALYSIS

This study was carried out in a period (summer of 1986) of great uncertainty with regard to the probability of changes in the tax code and also what form such changes would take. Because of pending tax legislation, after-tax analysis becomes very difficult and quite conjectural. Tax-related assumptions used to

calculate returns after taxes are explained in the proforma assumptions section of this report.

In trying to make sense of the after-tax analysis, its limitations must be realized. The entire tax situation is always a very uncertain risk in real estate, since the tax code is periodically overhauled with less regard being paid to logic and consistency than to politics and positioning.

Many investors, real estate users and professionals have been badly hurt in the past when they have structured deals so that returns, and even solvency were largely dependent on tax benefits rather than on the sound economics of the deal. Though every effort is made here to accurately model tax effects on the deal, Smart should avoid falling into the trap of dependence on tax benefits to bail out an otherwise unfavorably structured deal.

As a corporation, Smart must also be very careful that the seductive and apparently "magic" ability in real estate to turn huge actual and paper losses into positive cash flows does not lead the company astray. Unlike the typical partner in a real estate partnership, losses, though ultimately positive when generated from depreciation or other noncash expenses, could be negative for Smart if they adversely affect earnings per share or other measures of corporate health and vitality. These issues and their implications should be thoroughly explored by Smart before any ultimate decision is made.

Because the future and utility of tax benefits for Smart is so uncertain, perhaps the best analysis of returns for Smart is the preceding before-tax one. The vicissitudes of government are indeed risky to try to model logically.

Nonetheless, tax benefits are a major component of any real estate deal, and as such, must be considered by Smart. However Smart ultimately deals with the issue of tax benefits flowing from a deal, the benefits have inherent value. If Smart decides it will not use benefits flowing from its ownership, it should structure a deal in which it trades tax benefits for more of the cash or other benefits which it prefers to keep.

PARTITIONING OF RETURNS (Graphs 6 through 16)

Many times heretofore in this report, the structures of the scenarios have been discussed. Typically, this has referred to the timing and source of some component or components of the total cost of each scenario. Graphs 6 through 16 partition the total after-tax NPV of each scenario into its four major components: occupancy costs, cash, tax benefits and residual. Occupancy costs consist of moving costs, rent, fit up, old building lease proceeds (subtracted), relocation costs, furniture and fixtures. Cash generated from the partnership minus equity required from Smart is the cash component. All tax benefits, both those from occupancy expenses, and those from the partnership (where there is one) comprise the tax benefit portion of returns. Residual is the after tax sale proceeds; the tax on

sale proceeds is not part of the tax benefits.

Studying Graphs 6 through 16 is an excellent prelude to the discussion of tax and after-tax sensitivity of the scenarios. Because the huge negative occupancy costs always make total occupancy negative, the reader must be very careful to understand what these graphs are really describing.

All of the returns for joint venture scenarios are structured similarly, with the exception that the two located on the optioned site (JV 1 and JV 3) have relatively larger negative cash flows. This is caused by fewer overall returns from the partnership (because of the lower rent) to help offset fairly comparable equity requirements from Smart. Residuals vary, being smaller in JV 1 than in JV 2, and smaller in JV 3 than in JV 4. This is true since the smaller residual of each option in the size-determined set (JV 1 and JV 3) are located on the optioned site and thus have less value at resale because of the inferior site when compared to the same building in the office park.

Partitioned returns for the complete ownership scenarios show similarly interesting characteristics. The two financed options (CO 2 and CO 4) logically show much better tax benefits than the cash options (CO 1 and CO 3). The other major difference is that the cash options (because of the huge equity payment) show enormous negative cash components, whereas the financed options with their debt service payment (considered an occupancy cost) show measurably higher occupancy costs. Once

again, the optioned site options (CO 1 and CO 2) have less inherent value and thus fetch smaller residuals than those in the preferable office park location. Residual, unaffected by financing schemes, is insensitive to changes in the leveraging structure.

TAX

Because of the uncertainty of the ultimate results from the pending tax reform legislation, a 38% capital gains and ordinary income tax rate was tested against the current 20% and 50% assumptions assumed in the base cases. Thirty-eight percent was tested for both capital gains and ordinary income tax rates since this is the corporate tax rate which is most often mentioned as a goal of the new tax legislation. Though the rate itself can be easily varied through this type of sensitivity analysis, no straightforward method exists to simulate the effects of the proposed legislation on the utility of tax losses generated by real estate.

It looks likely from most of the tentative legislation that losses generated from real estate may be used only against income generated from real estate, or perhaps against any passively produced income such as interest or dividends. This is important for Smart to consider conceptually, together with the quantitative effects of tax rate changes discussed below. If this sort of legislation is passed and becomes part of the tax

code, a large portion of the tax benefits generated from real estate investment would not be usable by Smart. Rent and occupancy portions of tax benefits would likely remain useful as modelled, since they are business expenses to Smart, incurred to conduct its own business.

The implications of this dilemma are obvious; uncertainty of the usefulness of real estate investment generated tax benefits makes joint venture options even riskier than they appear quantitatively.

AFTER TAX BASE CASE RETURNS (Graph 1)

With all of these general concepts concerning taxes in mind, the reader should refer to Graph 1 to understand how taxes under the current law and with the base case assumptions affect the total occupancy cost to Smart in each scenario.

Again, as in the discussions about sensitivity analysis, the relative distance between before and after-tax symbols for any scenario shows how reactive to or how dependent on tax benefits any particular scenario is under current law. The first fact that is apparent is that the after-tax returns have a smaller differential between the cheapest and most costly scenarios ($7,153,971) than between the cheapest and most costly scenarios before tax ($12,123,475). Generally, layering on the tax benefits tends to smooth out the returns from various options, helping the most expensive ones more than the cheaper ones.

The most conservatively structured cash ownership options

(CO 1 and CO 3) logically show the least positive benefit from taxes. The leveraged ownership options (CO 2 and CO 4) and the current leased space (LS 1) show moderate benefit from taxes. Joint ventures are greatly benefited by taxes, but the uncertainty of the utility of joint venture generated benefits dampens the author's enthusiasm for them.

Somewhat less expected is the huge amount of tax benefits generated by the leased new space options (LS 3 and LS 2). These are safer tax benefits since they are composed of business expense deductions (rent and occupancy expenses) rather than the real estate investment benefits from the joint ventures.

Ranking the scenarios by after-tax NPV from most economic to most costly for Smart:

NPV	SCENARIO
(2,405,207)	CO 4: BUILD AND FINANCE 100K SF IN OFFICE PK
(2,573,120)	CO 2: BUILD AND FINANCE 100K SF ON OPTIONED SITE
(2,812,142)	LS 1: REMAIN IN EXISTING DOWNTOWN SPACE
(3,827,827)	JV 2: 50/50 OWNERSHIP OF 200K SF IN OFFICE PK
(3,959,457)	JV 1: 50/50 OWNERSHIP OF 200K SF ON OPTIONED SITE
(4,365,793)	JV 3: 50/50 OWNERSHIP OF 100K SF ON OPTIONED SITE
(4,667,537)	JV 4: 50/50 OWNERSHIP OF 100K SF IN OFFICE PK
(5,903,512)	LS 3: SUBURBAN LEASED SPACE IN OFFICE PK
(7,089,450)	LS 2: NEW LEASED SPACE DOWNTOWN
(9,003,048)	CO 1: BUILD AND PAY CASH FOR 100K ON OPT SITE
(9,559,178)	CO 3: BUILD AND PAY CASH FOR 100K IN OFFICE PK

It is interesting to note that the first six scenarios are ranked identically after taxes as before. The last five remain the last five both before and after taxes, but switch order within that group.

NEW TAX RATE (Graph 17)

Clearly, the often suggested 38% corporate tax rate for both ordinary income and capital gains would make all the scenarios less attractive than they are under the current laws. However, this occurs in a fairly uniform way and does not distort the relative tax effects on before-tax scenario results; the effect of the new tax, though smaller, is similar to the current tax law's effect on the scenarios. The risks and relative benefits implied by tax overlays under the old law are still valid with the new rate.

The real distortion, which is not evident in Graph 17, would be the lack of utility of some of the benefits generated in the joint venture schemes if real estate losses cannot be used to offset income from other sources.

AFTER TAX SENSITIVITY ANALYSIS (graphs 18 through 21)

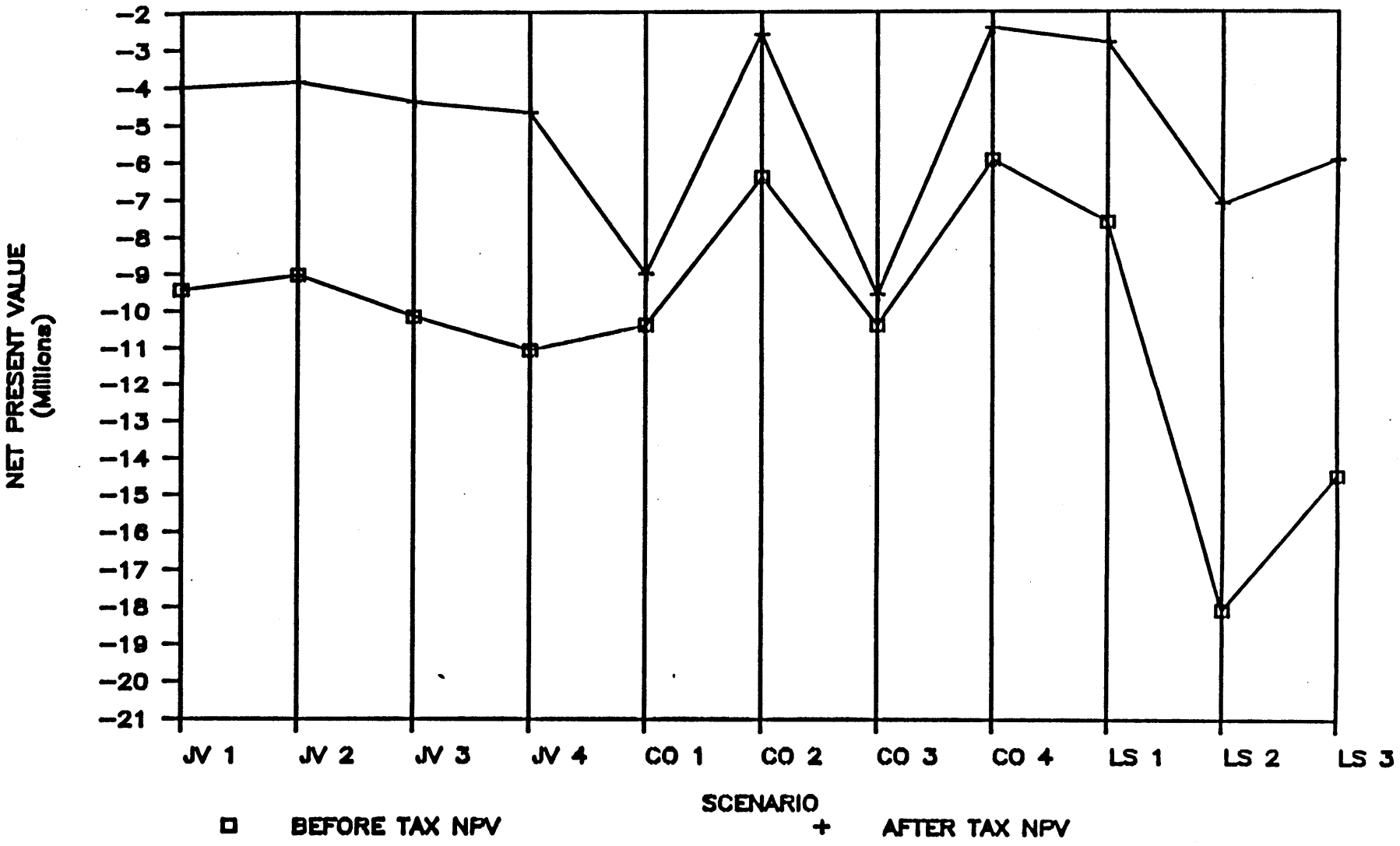
Construction cost, inflation, rent and vacancy rate were changed exactly as they were in the before-tax sensitivity analysis. (The effect on after-tax NPV's for all the scenarios is shown in Graphs 18 through 21).

Comparing Graphs 18 through 21 with Graphs 2 through 5,

shows that after-tax sensitivity to the variable changes tested is very similar to the reaction each of the scenarios had before taxes to identical changes in those same variables; there are no surprising results from the variable changes because of the tax overlay.

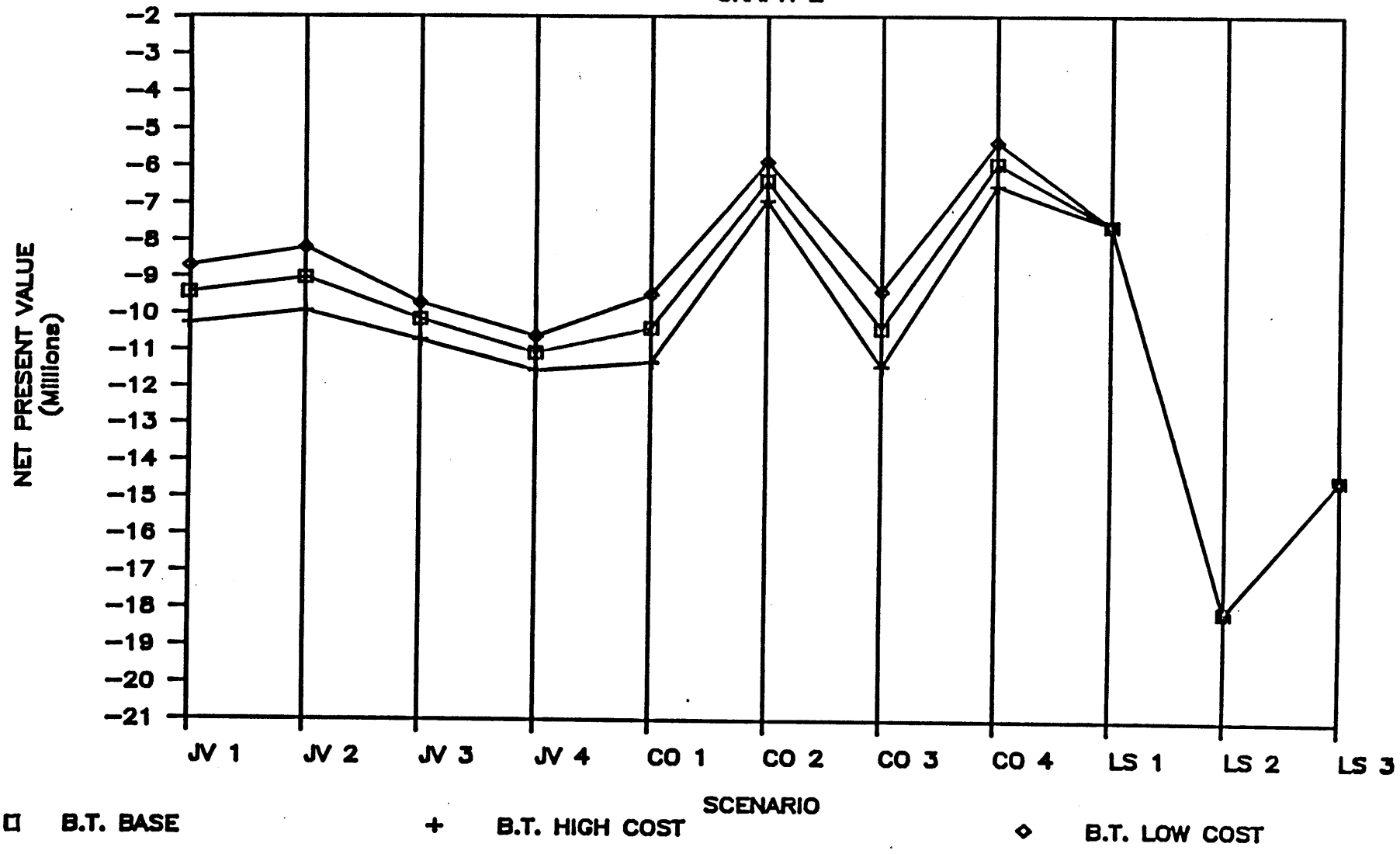
BASE CASE NPV'S

GRAPH 1



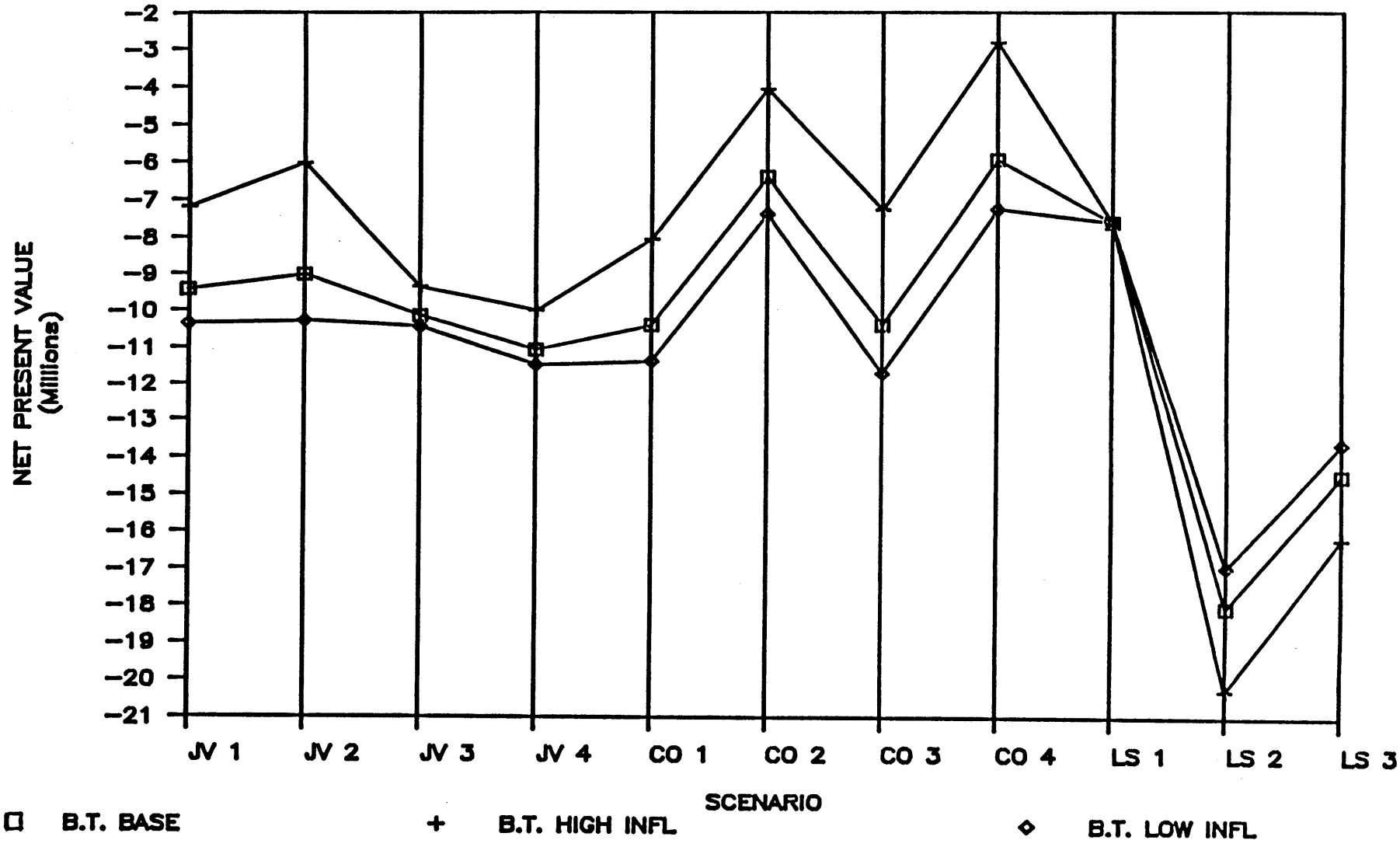
BEFORE TAX CONST. COST

GRAPH 2



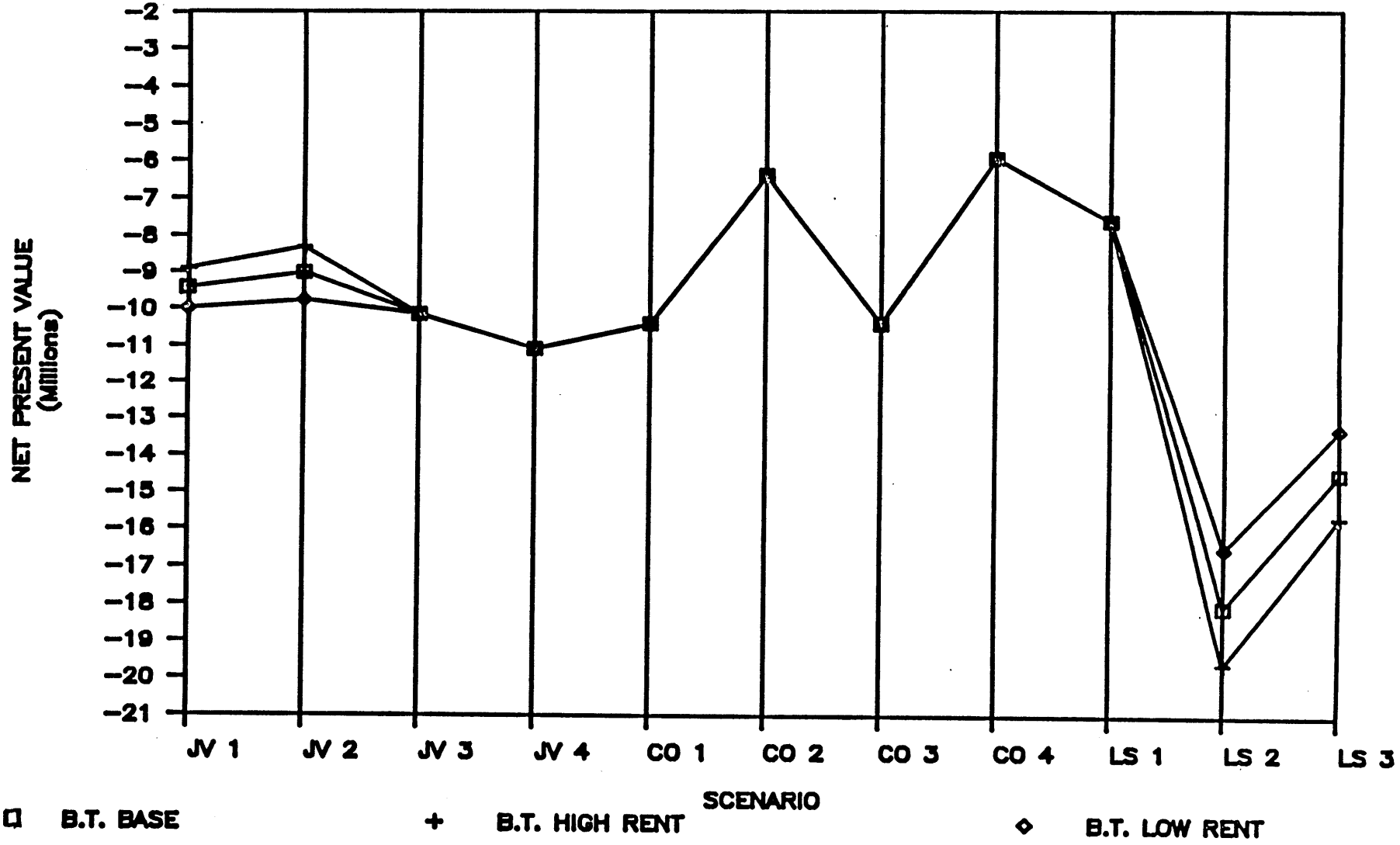
BEFORE TAX INFLATION

GRAPH 3



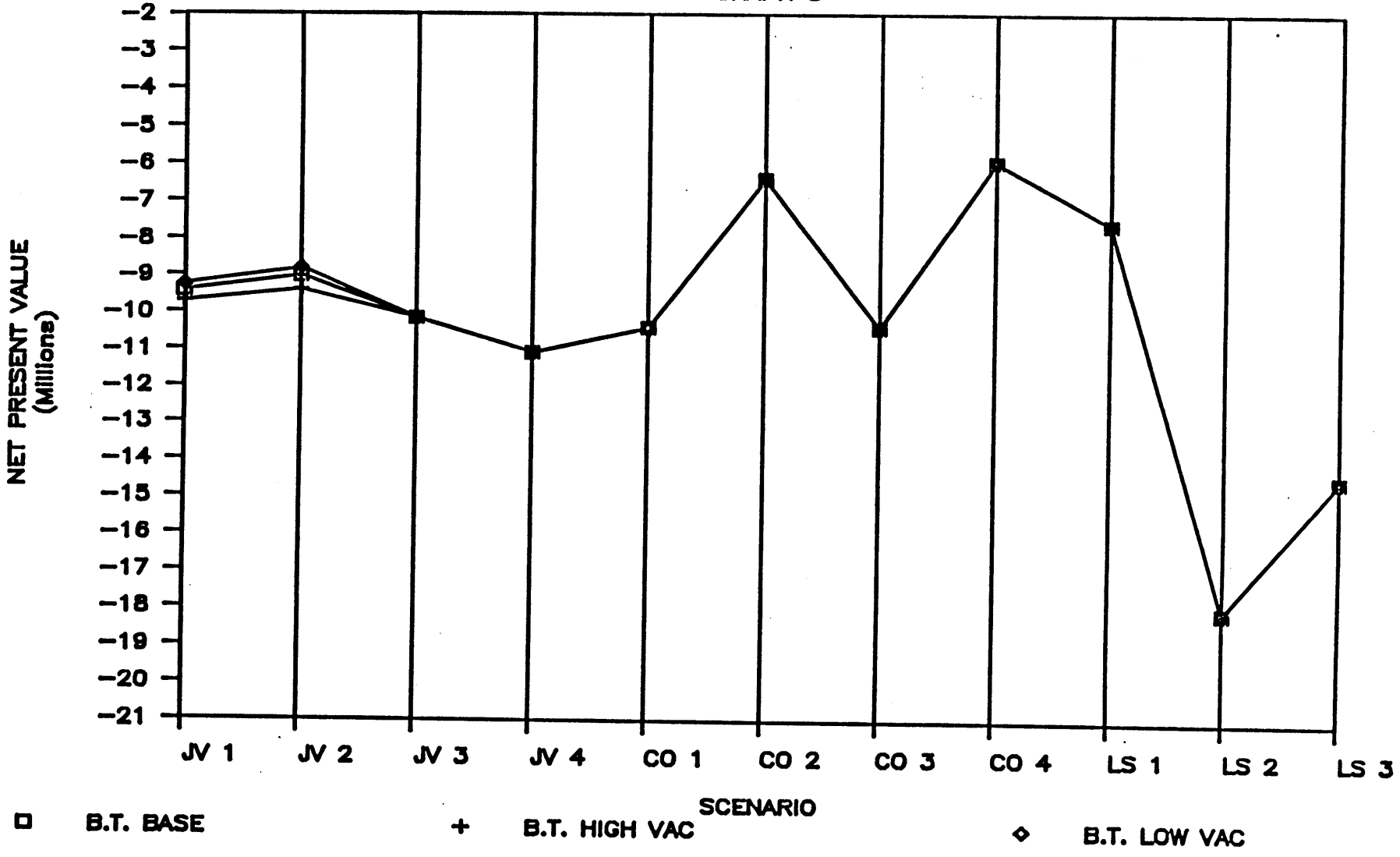
BEFORE TAX RENT

GRAPH 4



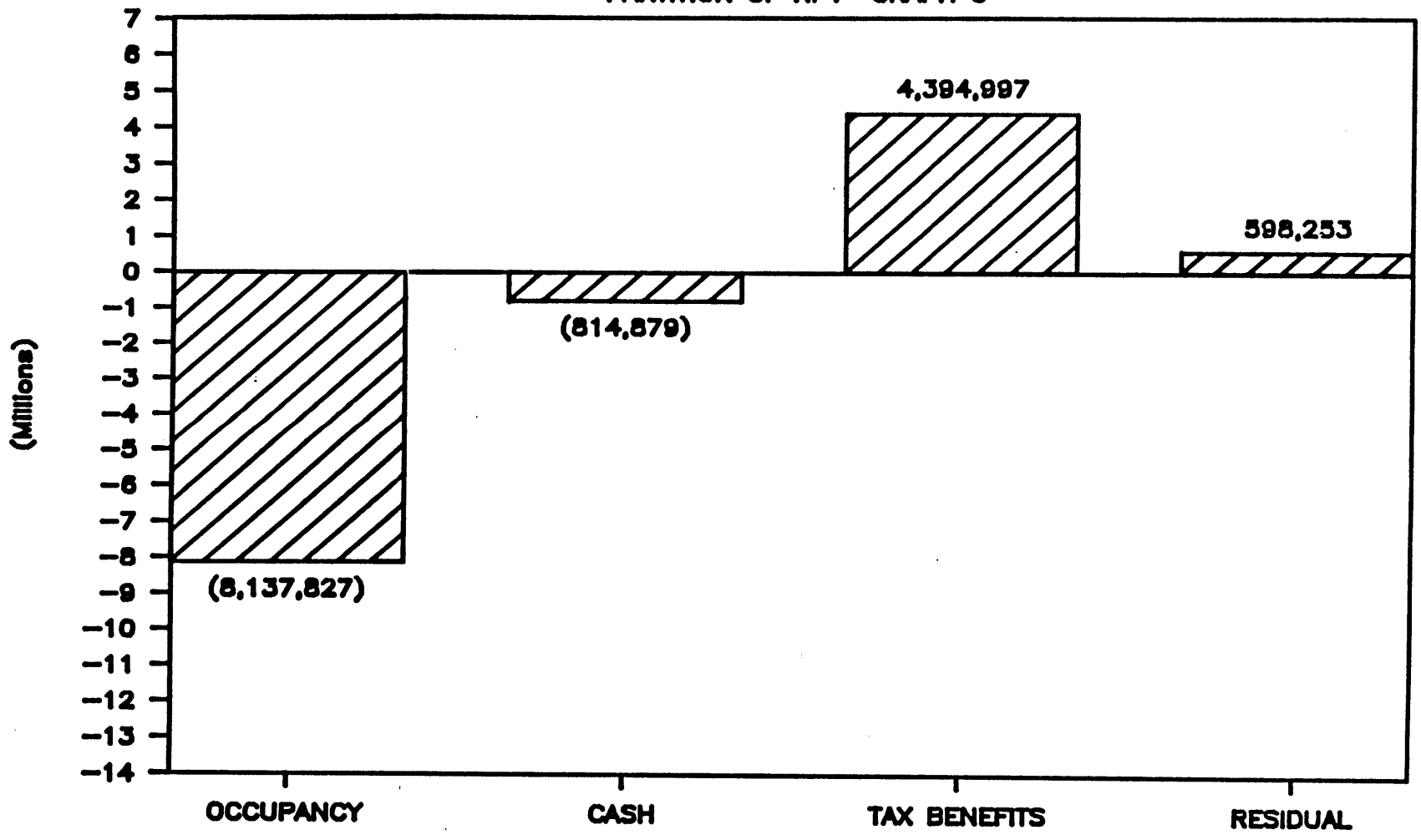
BEFORE TAX VACANCY

GRAPH 5



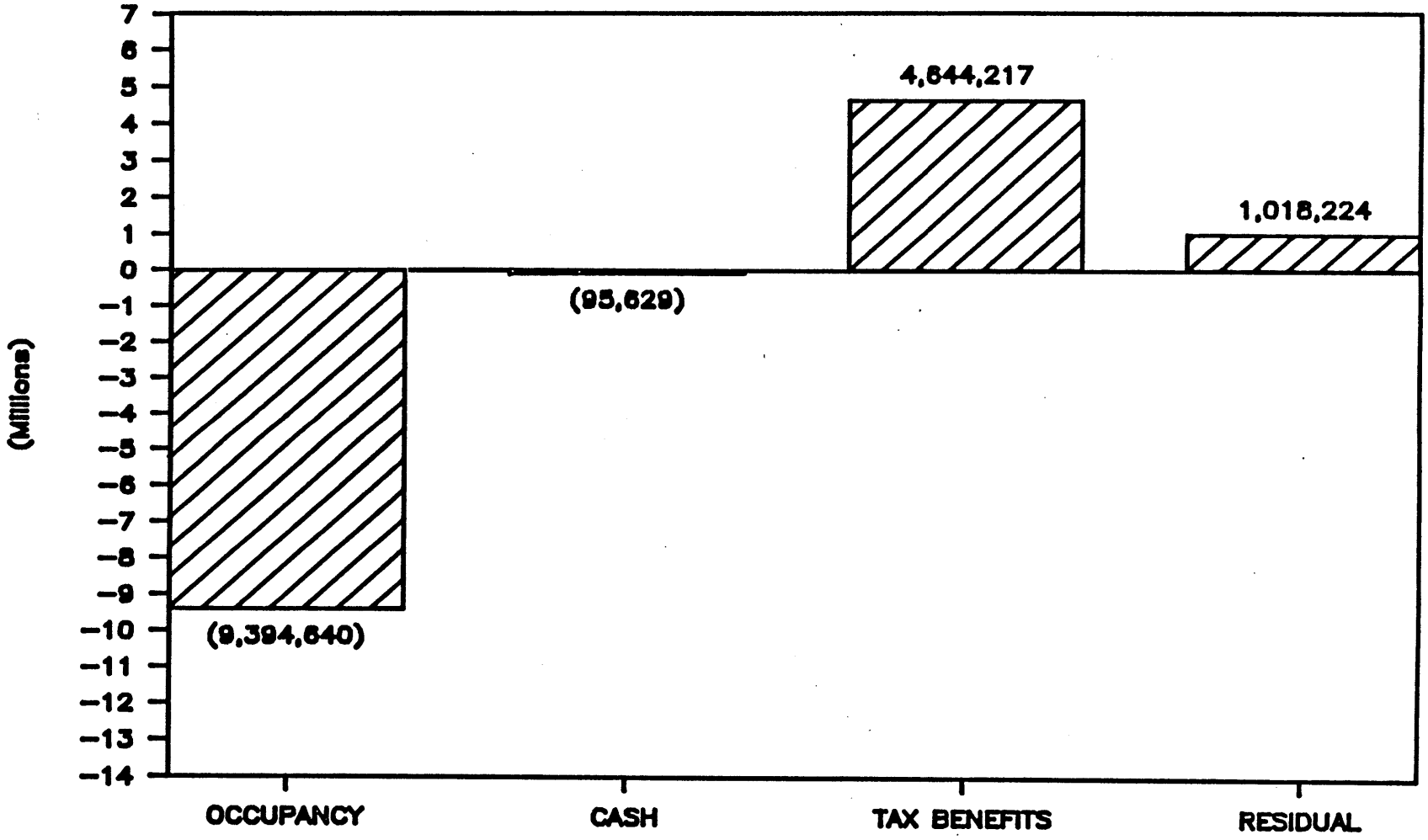
JOINT VENTURE 1

PARTITION OF NPV GRAPH 6



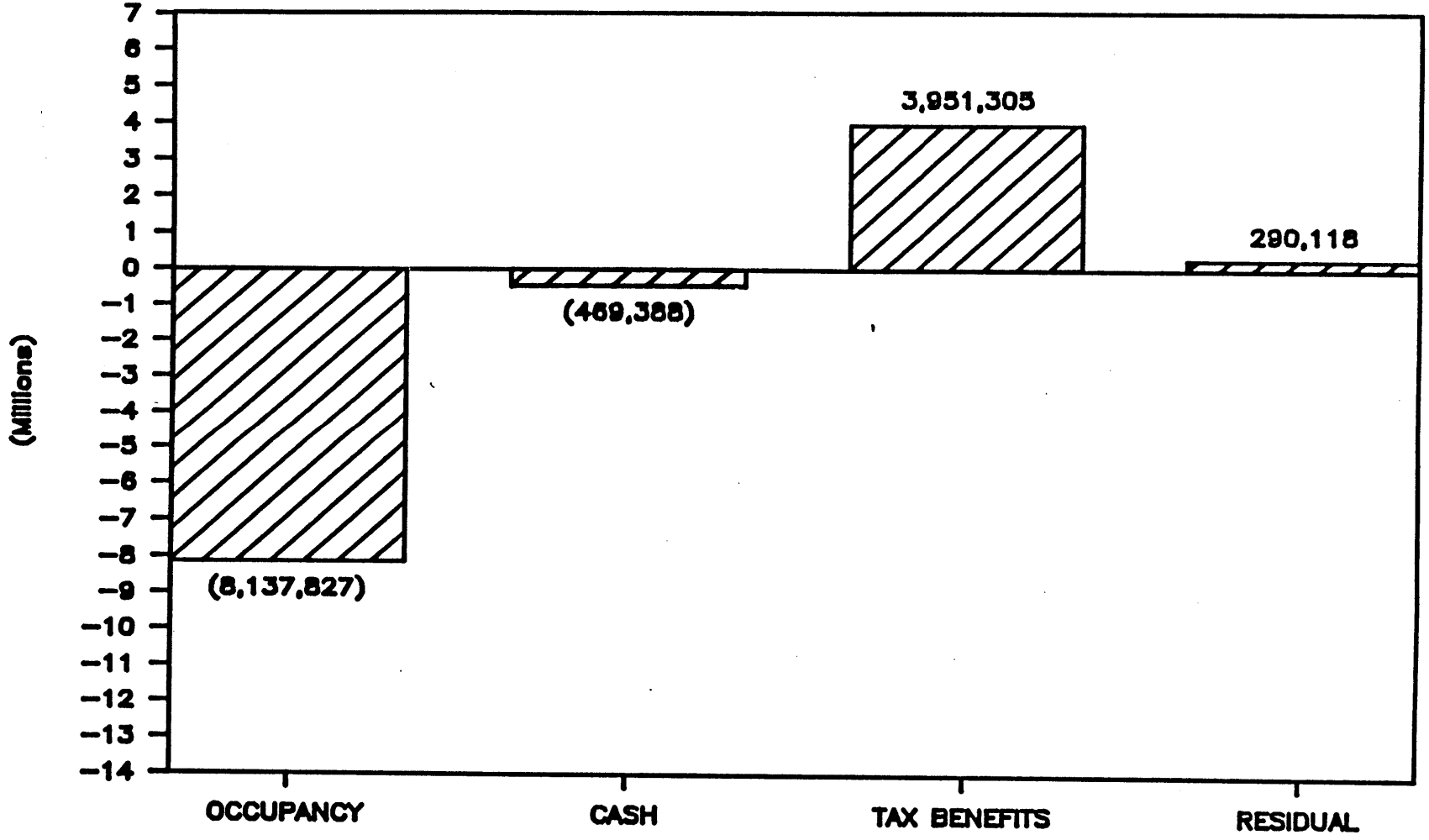
JOINT VENTURE 2

PARTITION OF NPV GRAPH 7



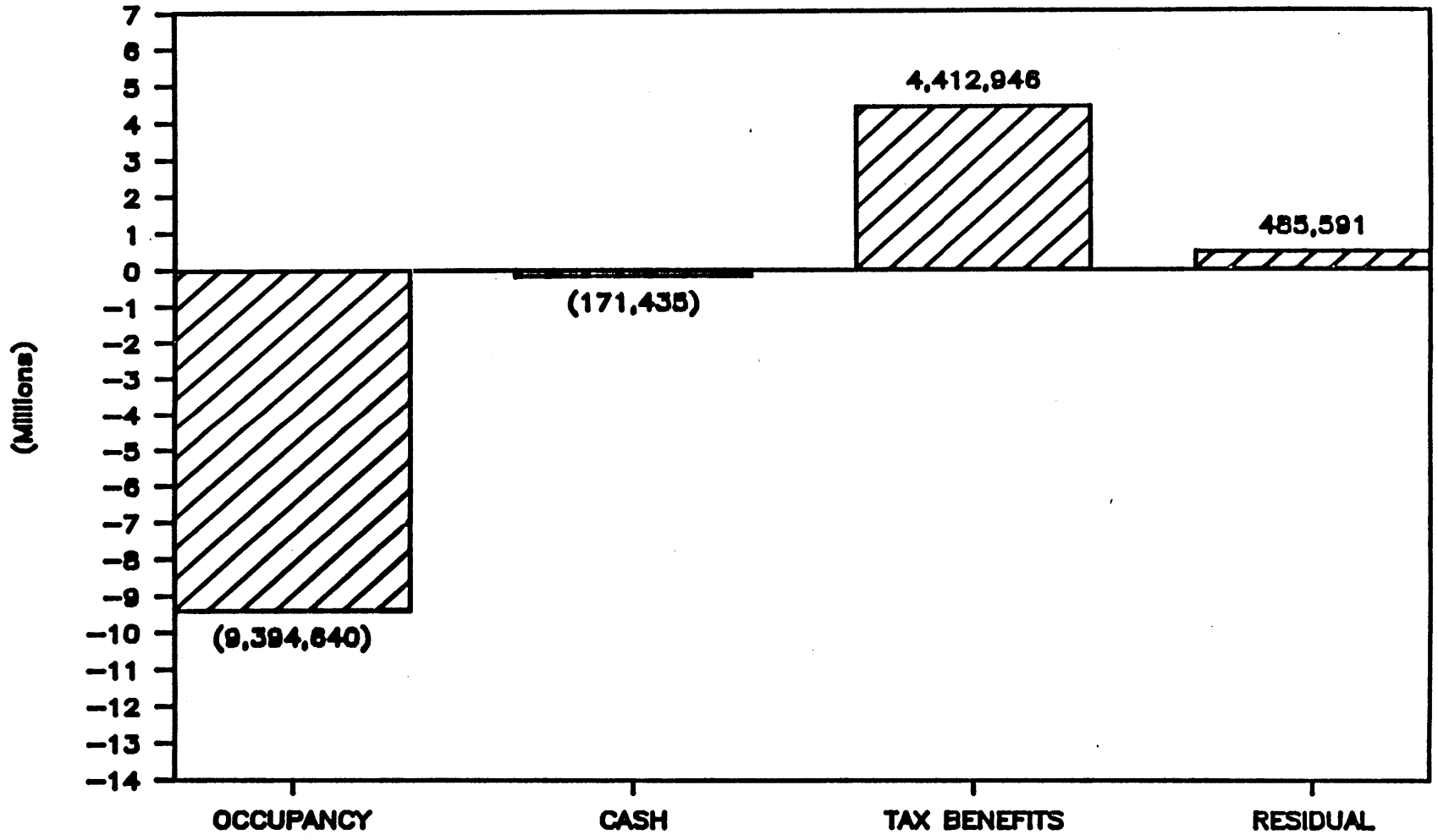
JOINT VENTURE 3

PARTITION OF NPV GRAPH 8



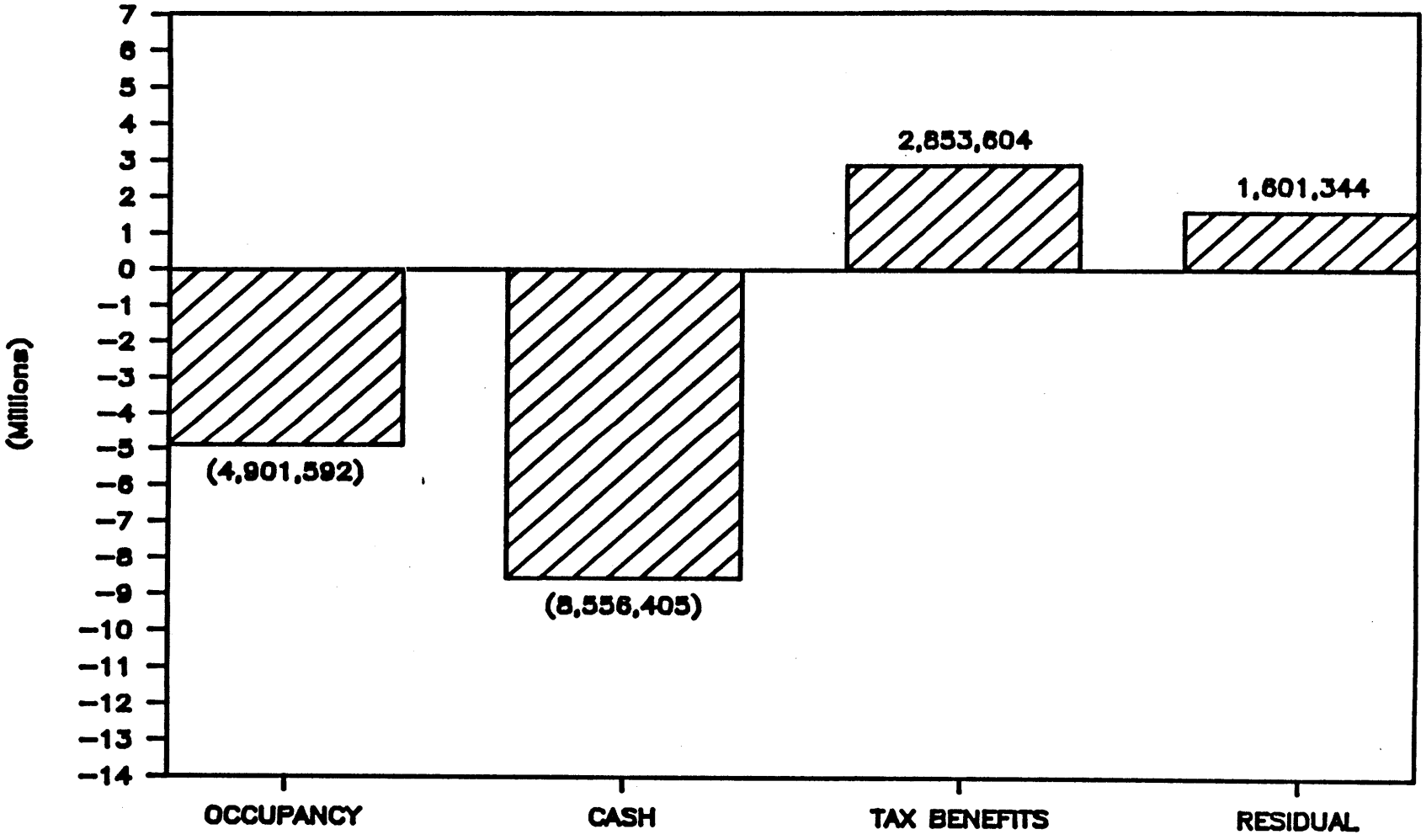
JOINT VENTURE 4

PARTITION OF NPV GRAPH 9



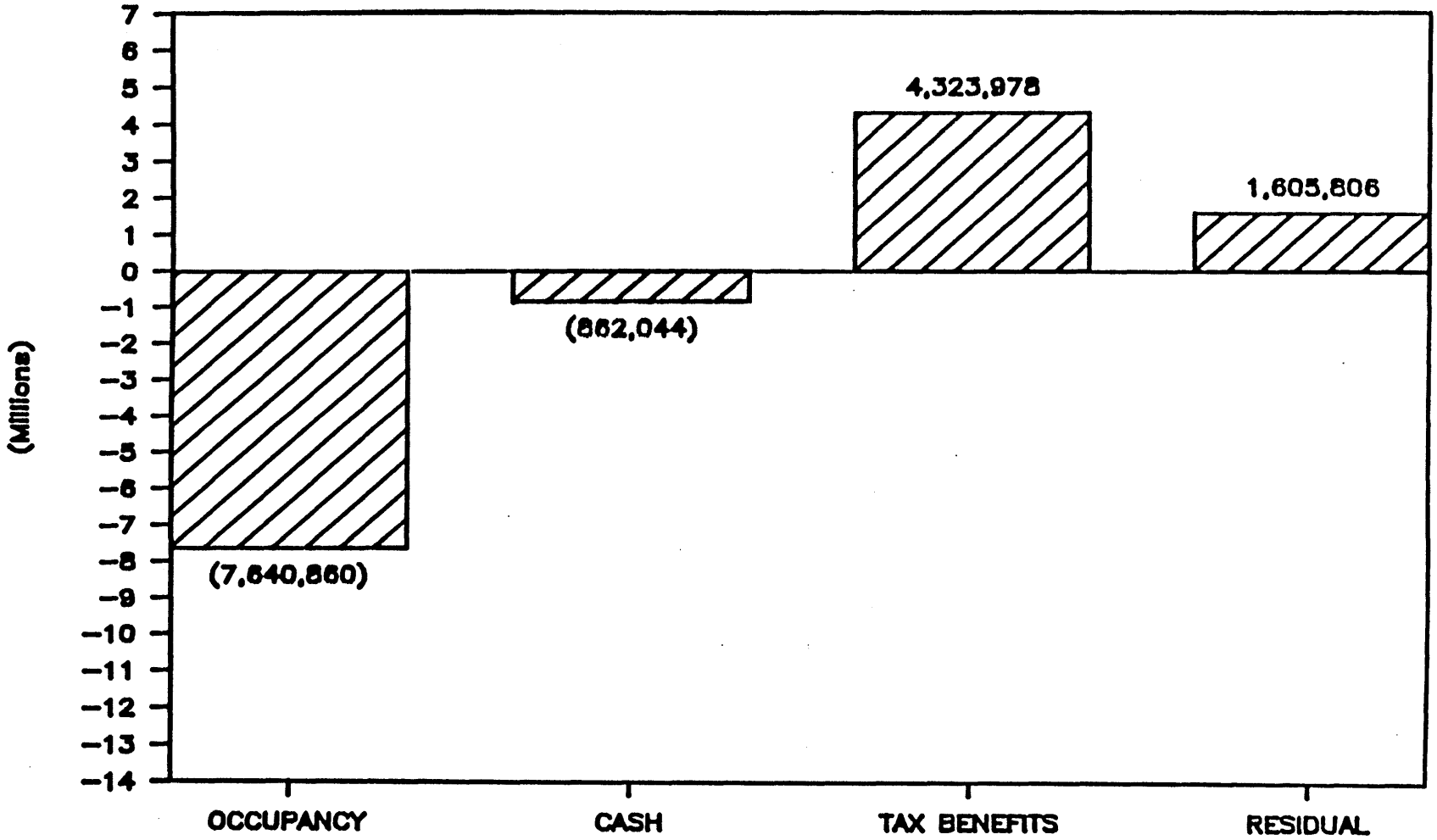
COMPLETE OWNERSHIP 1

PARTITION OF NPV GRAPH 10



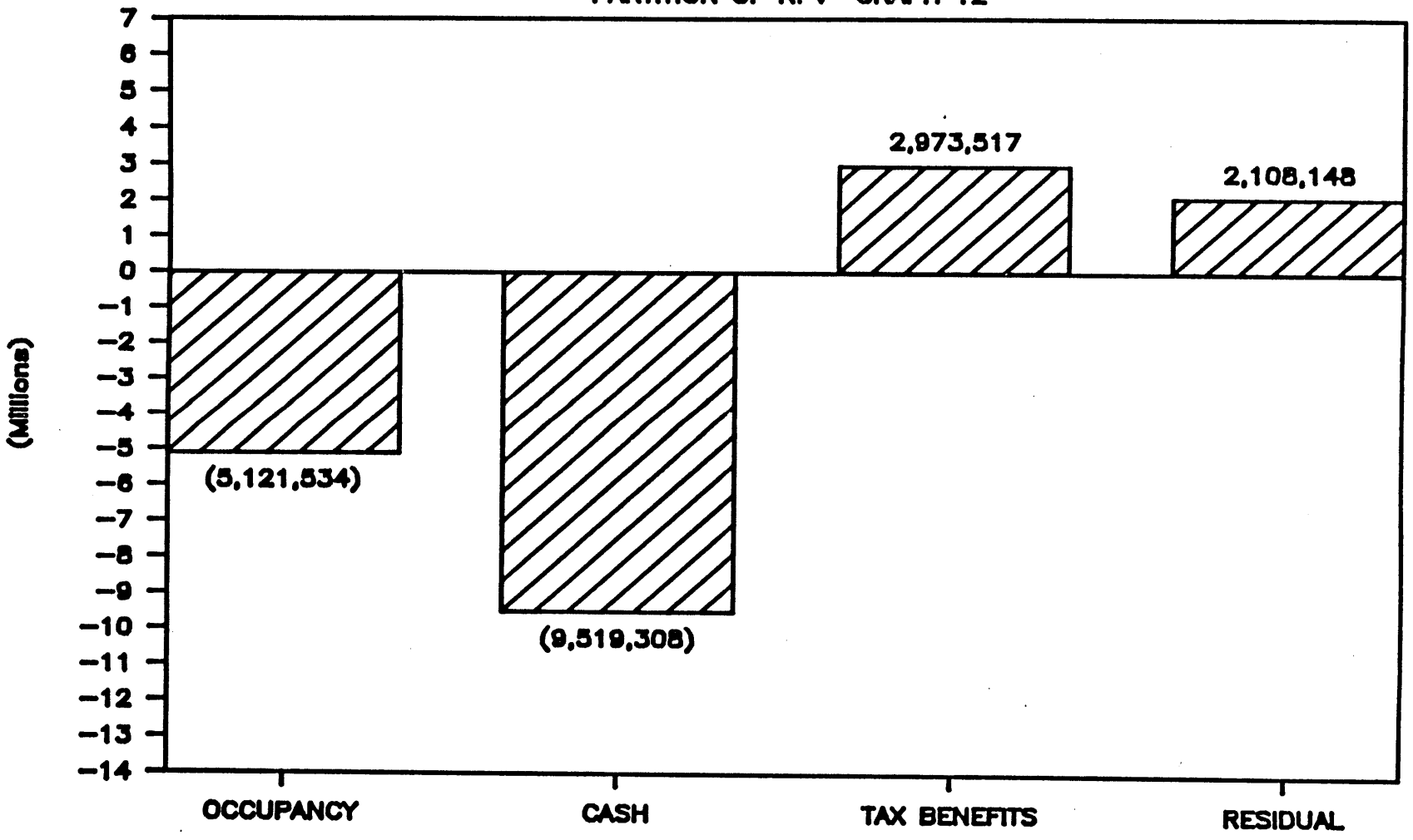
COMPLETE OWNERSHIP 2

PARTITION OF NPV GRAPH 11



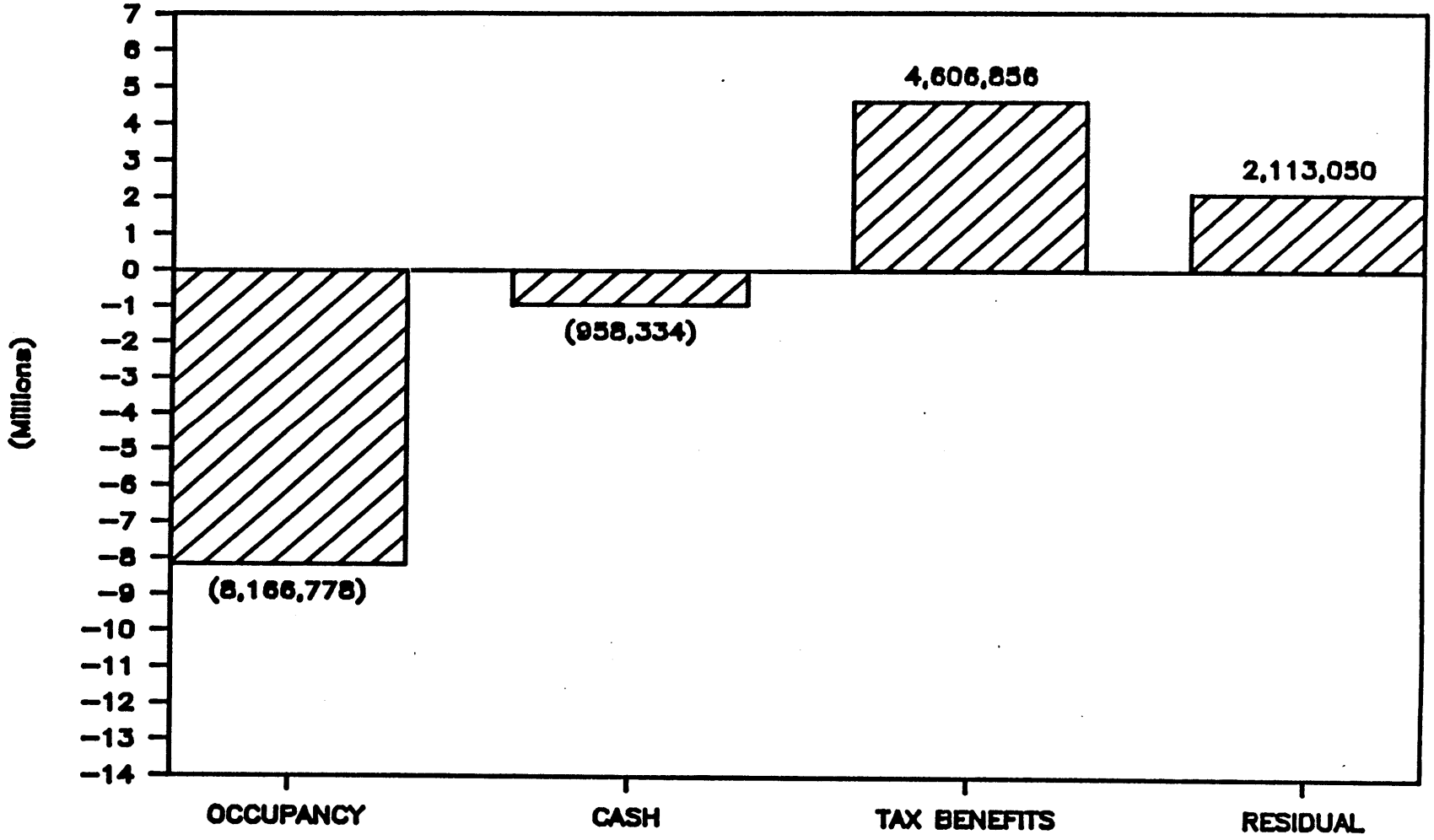
COMPLETE OWNERSHIP 3

PARTITION OF NPV GRAPH 12



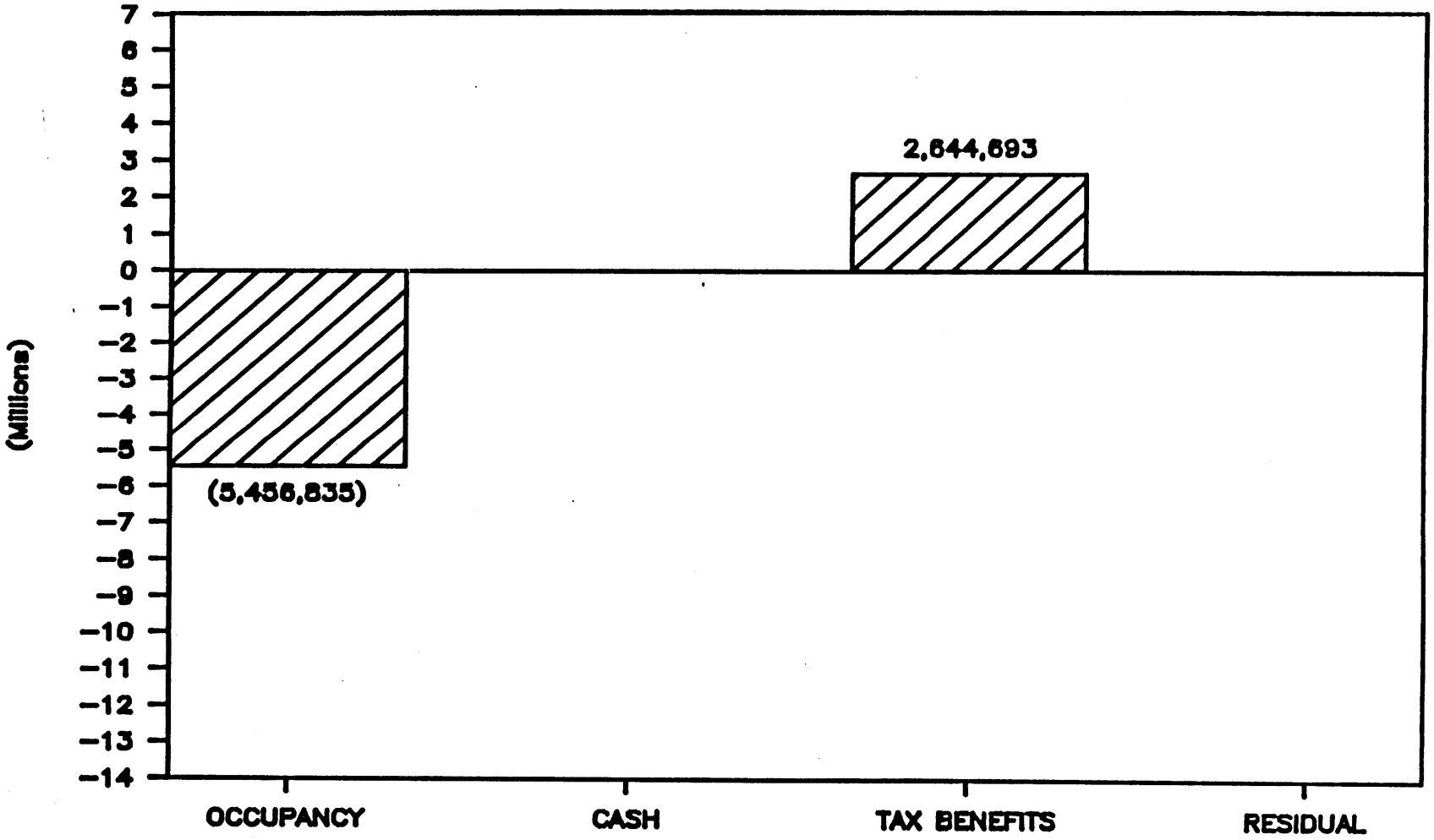
COMPLETE OWNERSHIP 4

PARTITION OF NPV GRAPH 13



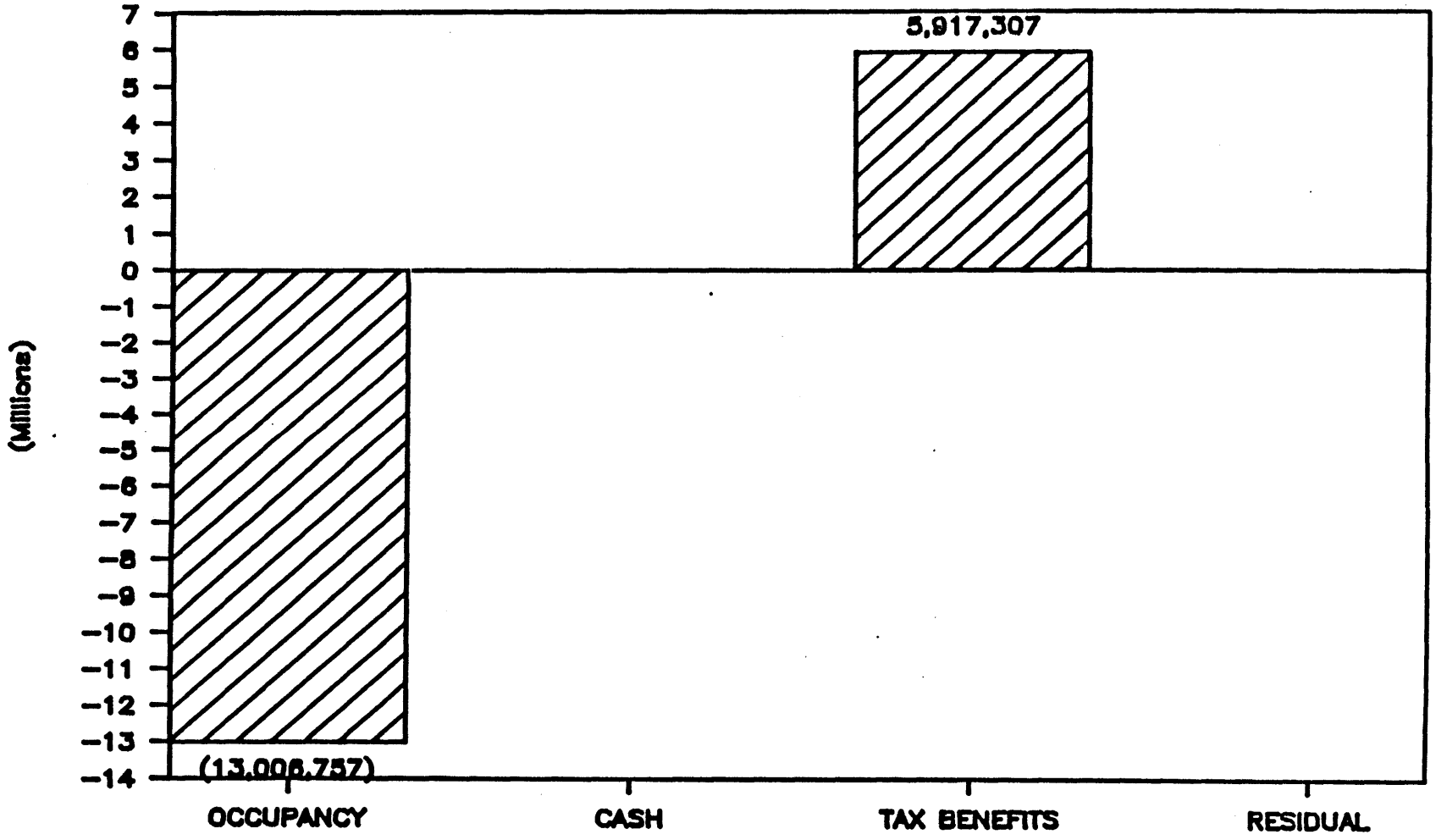
LEASED SPACE 1

PARTITION OF NPV GRAPH 14



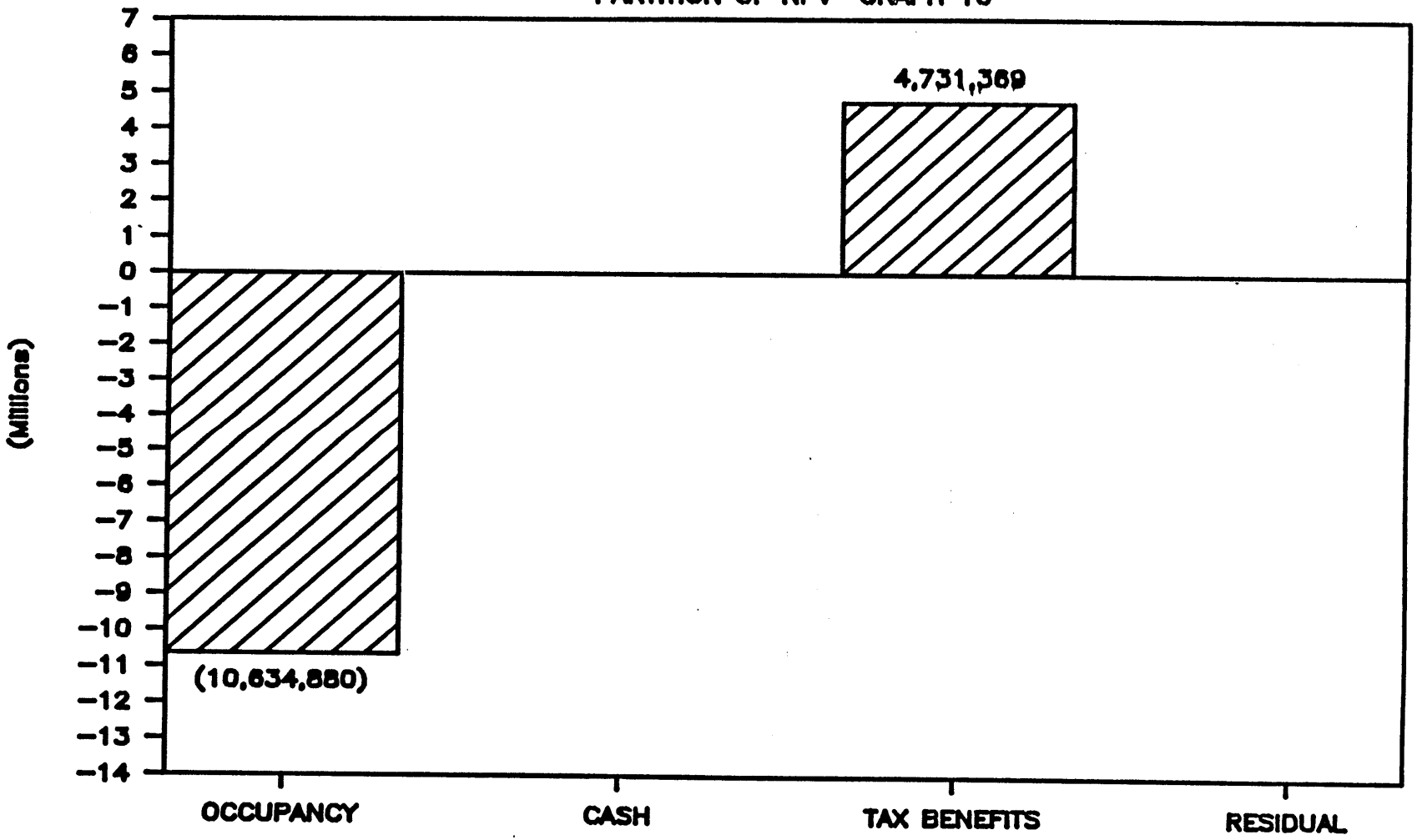
LEASED SPACE 2

PARTITION OF NPV GRAPH 15



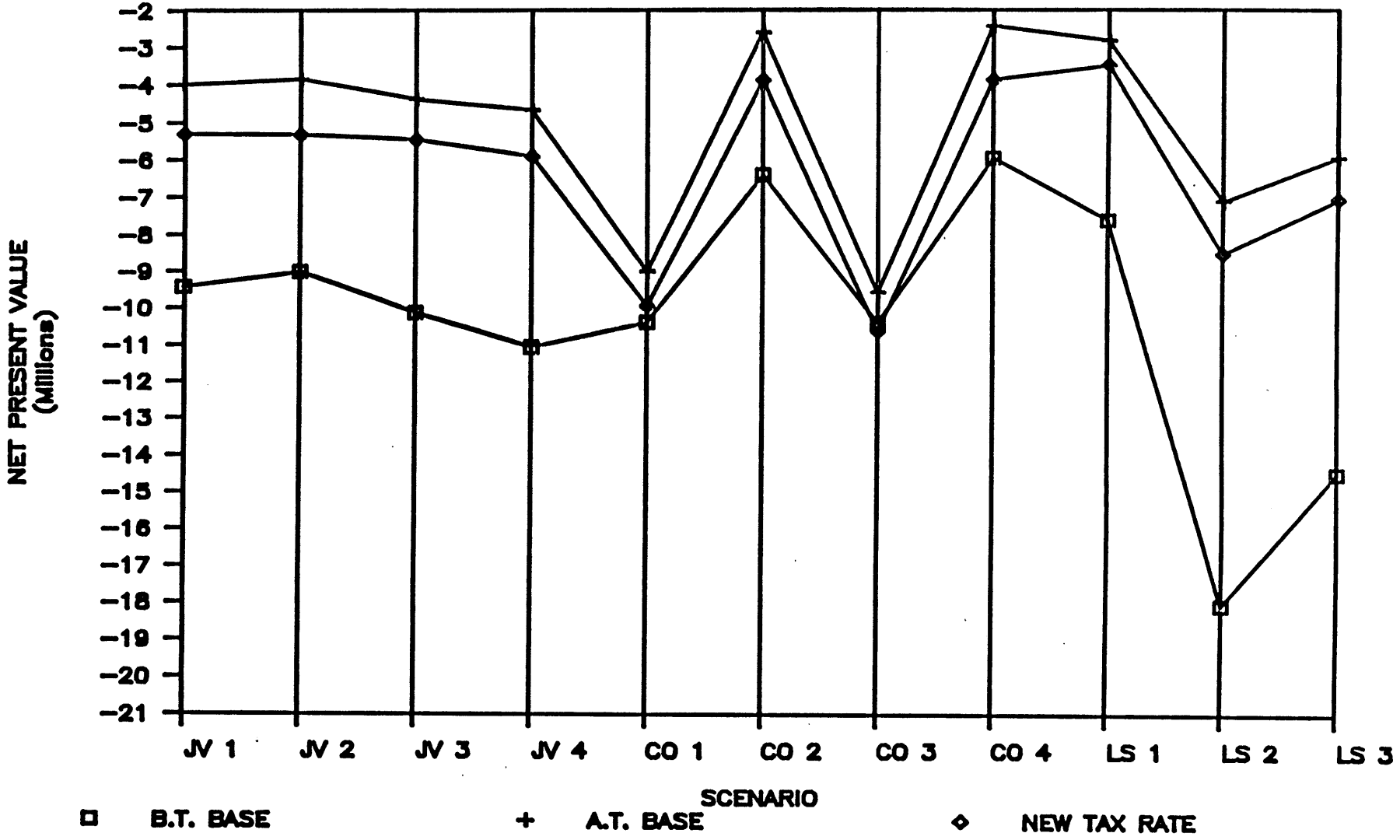
LEASED SPACE 3

PARTITION OF NPV GRAPH 16



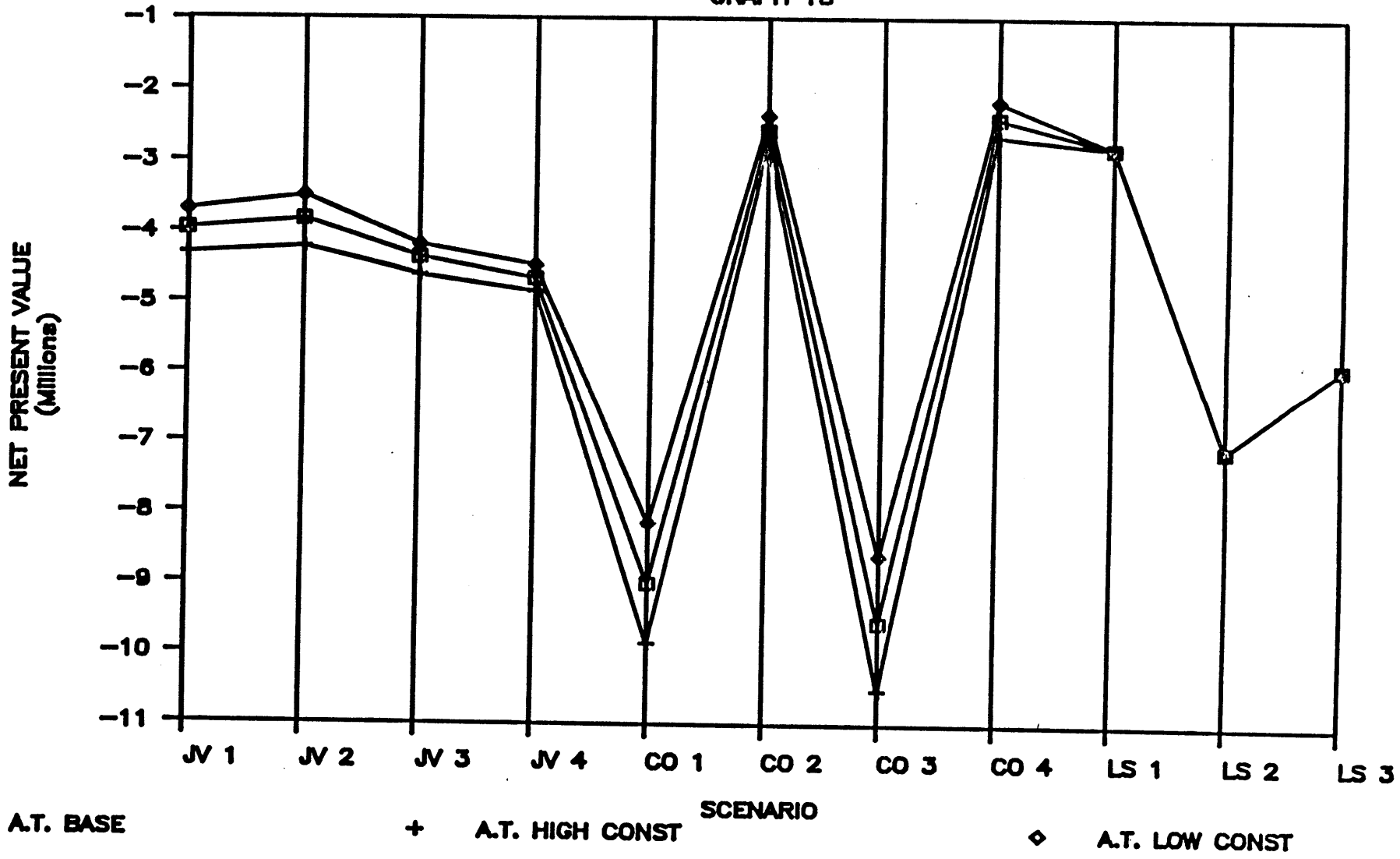
NEW TAX LAW

GRAPH 17



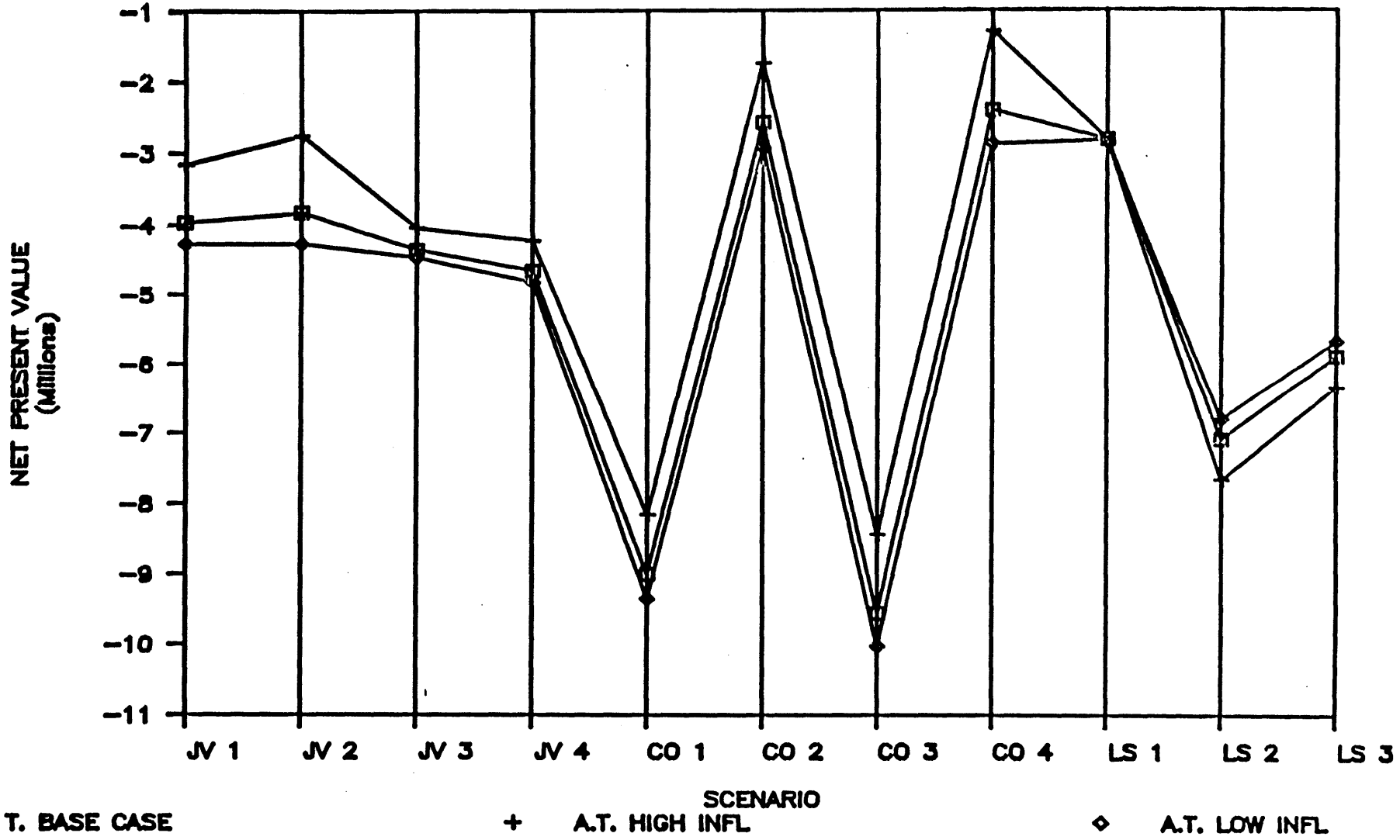
AFTER TAX CONST COST

GRAPH 18



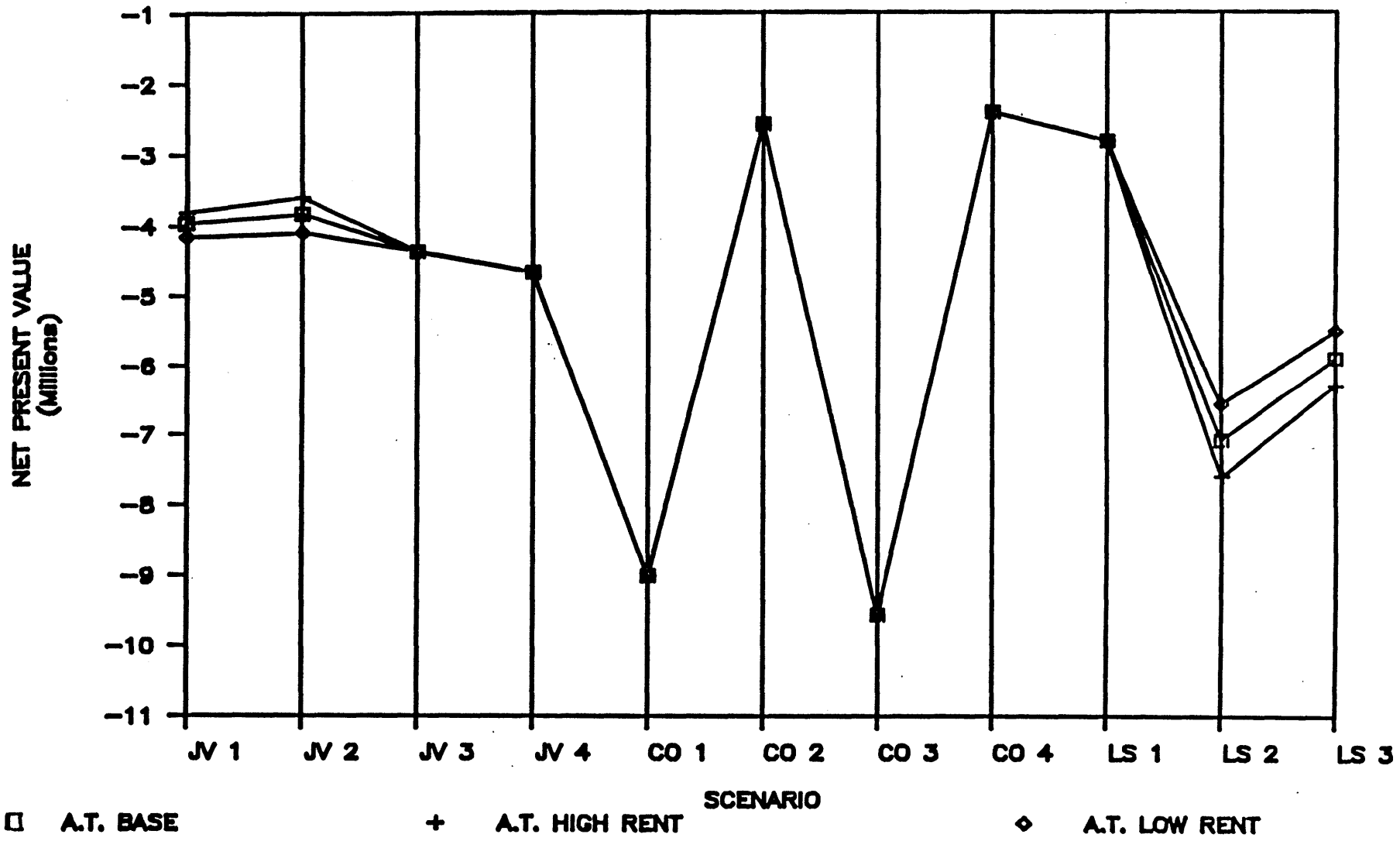
AFTER TAX INFLATION

GRAPH 19



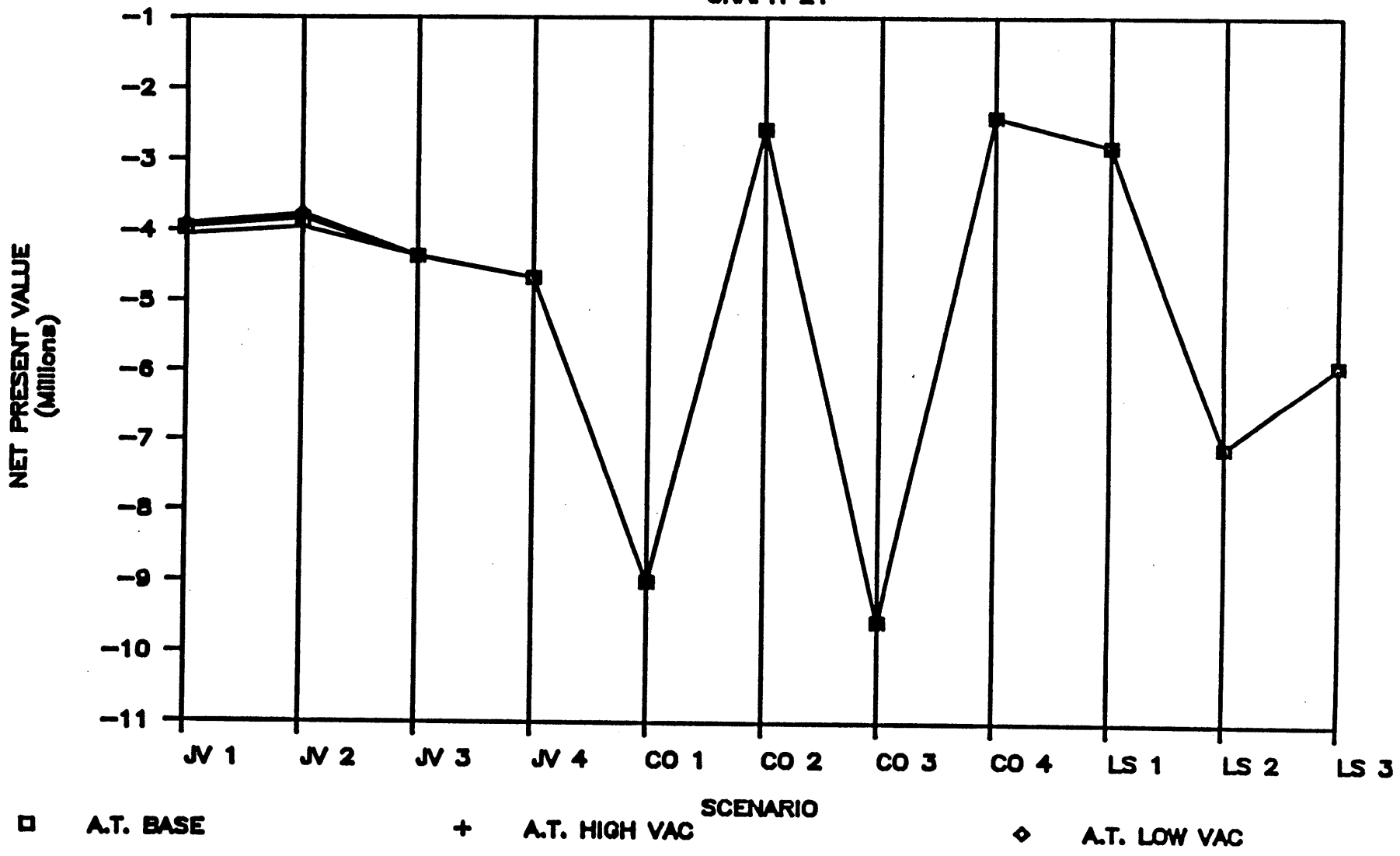
AFTER TAX RENT

GRAPH 20



AFTER TAX VACANCY

GRAPH 21



CONCLUSION

Smart's corporate executives, armed with an understanding of the possibilities for their imminent real estate needs, can rationally choose a match from among the scenarios discussed in this report.

The "bottom line" or total net present value cost for Smart is certainly a logical place to begin when making a decision. Total cost is important since it is the stated goal of the corporation to minimize its total occupancy cost while meeting its real estate needs in the next dozen years and beyond.

It has been the purpose of this study, however, to go beyond the numbers and to describe the qualitative issues surrounding each scenario. Risk has been analyzed both quantitatively - with sensitivity analysis - and more subjectively as discussed throughout the analysis.

Additionally, there has been a constant theme of understanding and meeting the softer goals imposed by the corporate culture and personality.

Altogether, findings indicate that Smart would be best served by building and financing a building for its own use only (100,000 square feet). Either the optioned site or the site in the nearby business park would be equally logical to use, if the value implication of the inferior optioned site understood and accepted by Smart.

Complete ownership options CO 2 and CO 4 are thus indicated.

These happen to be the cheapest options, both before and after taxes; but beyond that, they appear to be the best "fit" for Smart. They are much less risky than the joint ventures and much less complicated. The complete ownership options provide better space than the closely priced option of staying in the current leased space, and they are far cheaper than the leasing of new space. These options also give Smart the kind of control, security and asset value that it should have, and they avoid the complex legal, financial and market uncertainties presented by the joint ventures.

TIMING

If the company chooses to build its own space, it would be logical to do so as soon as possible for several reasons. Interest rates for permanent financing are now probably the most favorable that they are going to be. Basic economic theory suggests that the enormous national debt is likely to cause inflation again soon, which would increase the cost of construction and the cost of financing. The tax horizon is indeed uncertain, but it appears that the situation will not get better for corporations in the future; and, it is likely that it will become much less favorable.

Of course, these conjectural economic predictions are merely the opinion of the author. Experts are split as to whether the economy will improve or get worse. Expert support can be found

for one's economic ideas, no matter what position is taken. Smart should thus use the same prudence and judgement to decide upon the right time to build as it does when planning its business activity generally. The important thing to remember is that the right time to build is tied to price levels and interest rates.

MODUS OPERANDI

Because of the somewhat difficult experience Smart had with the large developer that built its warehouse, and the looseness of the legal description of the physical properties of the building which Smart was to buy, a much tighter contractural arrangement should be entered into by Smart for its office building.

It is suggested that a traditional architect designed, and competitively bid building process would serve Smart's needs best. Because the corporation is very demanding, the architect and contractor bidders should be chosen carefully for compatability and creativity in meeting the company's pragmatic program and budget. Appropriate personalities are as important as professional qualifications or financial strength in choosing these players.

If Smart wishes instead to enter another design-build arrangement, it is important that the precise building package be carefully delineated before any contract or agreement is signed, or a price is negotiated. Working drawings and other traditional

contract documents (specifications and general conditions, etc.) are the best way to ensure Smart's protection.

If Smart decides against this kind of documentation, the Smart Corporate Design Criteria document is explicit enough to protect the company from large contract extras and conflicts later. What this document cannot do is set an expectation level for the appearance of the building. This is why the working drawings, with Smart input and understanding throughout their production, will best serve all parties involved and leave the least room for conflict, misunderstanding or litigation.

APPENDIX: OPTION AGREEMENT

THIS OPTION AGREEMENT, made as of this 19th day of December, 1985, between Packard National Bank, as Trustee under Trust Agreement dated October 11, 1984 and known as Trust Number 4456, having its principal offices at 5 South Madison Street, Chicago, Illinois, and Michael Street I, an Arkansas limited partnership, hereinafter collectively called "seller", and Smart Corporation, an Illinois corporation, having its principal offices at 1250 East Adams Avenue, Chicago, Illinois, hereinafter called "Smart".

W I T N E S S E T H:

WHEREAS, concurrently, herewith the parties hereto are entering into an Agreement (the "Agreement") pursuant to which Seller will construct and sell to Smart a building on real property described in Exhibit "A" hereto (the "Purchase Property"); and

WHEREAS, Smart wishes to obtain, and seller wishes to grant, an option to acquire additional real property adjacent to the Purchase Property, which adjacent property is described on Exhibit "B" hereto (the "Option Property") or in lieu thereof adjacent property which is described on Exhibit "B-1" hereto (the "Alternative Option Property").

NOW, THEREFORE, in consideration of the foregoing and the

mutual covenants hereinafter set forth, the parties hereby agree as follows:

Option

1.1 Provided (a) this Option Agreement is in full force and effect, (b) Smart is not in default under any of the terms and conditions of the Option Agreement at the time of exercise of the option and of Closing (as hereinafter defined) and (c) Smart shall have purchased the Purchase Property pursuant to the Agreement, then Smart shall have the option to purchase the Option Property at the Option Price (as hereinafter defined) during the Option Period (as hereinafter defined).

1.2 The Option Price initially shall be an amount equal to $3.50 multiplied by the number of square feet or portions thereof falling within the Option Property as certified by the surveyor providing the survey pursuant to paragraph 3.1 hereof. If the Closing shall occur on or after the first anniversary of the closing of the purchase of the Purchase Property, then the Option Price shall be increased as follows:

Date of Closing	Option Price
On or after 1st anniversary but before 2nd	104% of price during previous year
On or after 2nd anniversary but before 3rd	104% of price during previous year
On or after 3rd anniversary but before 4th	104% of price during previous year
On or after 4th anniversary but before 5th	104% of price during previous year

1.3 The Option Period initially shall be a period of 2 years commencing on the date of the closing of the purchase of the Purchase Property. Smart may extend the Option Period for up to 3 additional one year periods by making the following extension payments:

Date of Payment	Amount
On or before 2nd anniversary	2 1/2% of Option Price in effect during 2nd year of Option Period
On or before 3rd anniversary	2 1/2% of Option Price in effect during 3rd year of Option Period
On or before 4th anniversary	2 1/2% of Option Price in effect during 4th year of Option Period

All extension payments shall be applied towards the Option Price at the time of Closing if the Closing shall take place, but shall become the property of Seller immediately upon receipt.

1.4 The option granted Smart shall terminate on the earlier of (a) the expiration of the Option Period (as the same may be extended pursuant to paragraph 1.3 hereof) or (b) the receipt by Seller of a notice of termination from Smart, but in all events not later than the 5th anniversary of the closing of the purchase of the Purchase Property.

1.5 Smart shall exercise its option or may terminate the option by delivering written notice to Seller. A notice of exercise shall set the date for Closing which date shall not be more than 90 nor less than 30 days from the date of the notice.

A notice of termination shall be deemed effective as of the date of receipt by Seller.

1.6 Smart shall have the additional option of electing to purchase a portion of the Option Property rather than the entire parcel at any one time. Smart may exercise said election at any time up to its exercise or termination of its option to purchase pursuant to paragraph 1.5. Smart may select any portion of the Option Property, provided, however, that: (a) said portion is adjacent to the Purchase Property; (b) the remaining parcel of the original Option Property is no less than 5 acres; (c) the remaining parcel of the original Option Property has access to a public street and remains suitable and financially viable for development as a warehouse or office warehouse building, including necessary parking and loading areas; and (d) Smart pays all additional costs caused by said election, including, but not limited to, subdivision and survey costs. If Smart exercises its option to purchase only a portion of the Option Property, it shall continue to have the rights granted it hereunder with respect to the remaining Option Property unless Smart specifically terminates those rights. Smart shall, if it releases any portion of the Option Property from the provisions of this agreement, execute an amendment to this agreement in recordable form indicating the change in the Option Property.

Real Estate Taxes

2.1 Smart agrees to pay all real estate taxes, including special assessments, levied ar assessed against the Option Property accruing from the date of closing of the purchase of the Purchase Property to the date of Closing or termination of the option.

2.2 Seller shall deliver to Smart a copy of each real estate tax bill promptly upon receipt accompanied by a statement showing how much is due from Smart. Taxes for less than full tax years shall be prorated. All payments due from Smart shall be made to Seller at least 10 days prior to the date on which such taxes are due and Seller shall deliver to Smart evidence of payment promptly upon receipt. The obligation to make such payments shall survive the termination of this Option Agreement.

Survey

3.1 Within 30 days from the date hereof, Seller shall deliver to Smart a copy of a survey of the Option Property prepared by licensed surveyor or engineer, which survey shall comply with Illinois Land Survey Standards and shall show the boundary lines, the location of all easements, utilities and other encumbrances and shall contain a certification of the number of square feet or portions thereof falling within the Option Property.

3.2 The surveyor's certification of the exact square

footage comprising the Option Property shall be accepted by the parties hereto as conclusive. The surveyor shall furnish a legal description of the land based on said survey to be used in the deed of conveyance.

3.3 If Smart exercises its option to reduce the size of the Option Property pursuant to paragraph 1.6 subsequent to the delivery of the survey, Seller shall deliver a revised survey showing the new boundary lines and number of square feet within the revised Option Property. Smart shall pay all the costs of said survey.

Closing Provisions

4.1 Title shall close and the deed shall be delivered (the "Closing") at the office of the Seller's attorney on the date set forth in Smart's notice of exercise, unless at such time there be a title defect which is not waived by Smart, in which case a 45 consecutive day period will be granted to cure such defect. In the event that any title defect may be found to exist the Seller will, at its own expense, use all due diligence to cure the same within the 45 consecutive day period, failing which Smart, at its option may waive the defect and take title subject to the defect, or rescind and cancel this Option Agreement. "Title Defect" shall be defined as any exception shown on Schedule B of a current title commitment issued by Lawyers Title Insurance Company other than the general exceptions listed thereon over which the title company agrees to insure and any exception listed

on Exhibit C attached hereto.

4.2 The Option Price shall be paid at Closing by wire transfer of funds payable to the Seller's order.

4.3 At the time of Closing, the Seller shall deliver to Smart a good and sufficient trustee's deed, in form for recording, executed and acknowledged by the Seller and with all stamps required by State and local law in the proper amount, so as to convey to Smart a good (of record and in fact) and marketable and fully insurable title to the Option Property in fee simple absolute and to all easements connecting the Option Property to public roads and to all easements for utilities connecting the Option Property to public utilities free and clear of all liens, encumbrances, judgements, restrictions, violations, and easements of any kind or nature, other than those listed on Exhibit C or accepted by Smart and an ALTA Owners Policy - Form B-1970 (rev. 10-17-70) in the amount of the Option Price insuring such a title to Smart. Such Policy shall contain endorsements over the general exceptions of such policy, over additional taxes provided for in Section 20a-3 of the Revenue Act of 1939 with respect to periods prior to the execution hereof and an ALTA 3 zoning endorsement. Smart shall pay any premium charged by the title company for extended coverage or the zoning endorsement. Seller shall pay the cost of state and county transfer taxes and Smart shall pay the cost of the local transfer taxes, if any.

4.4 At the time of Closing, the Seller shall deliver

possession of the Option Property, free of all squatters, occupants and rights of third parties, and free of all claims of a leasehold or other interest in the premises.

4.5 The sale of the Option Property shall include, and shall convey, all of the Seller's right, title and interest in and to all ponds, waterways, easements and air rights. This sale also includes all right, title and interest, if any, of the Seller in and to any land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Option Property, to the center line thereof, and all right, title and interest of the Seller in and to any award made or to be made in lieu thereof and in and to any unpaid award for damage to the Option Property by reason of change of grade of any street; and the Seller will execute and deliver to Smart, on closing of title, or thereafter on demand, all proper instruments for the conveyance of such title and the assignment and collection of any such award.

4.6 Real estate taxes shall be adjusted and apportioned as of the date of Closing. If Closing shall occur before the tax rate is fixed, the apportionment of taxes shall be upon the basis of the most recent tax bill. All prorations shall be final.

4.7 If prior to delivery of the deed, all or any part of the Option Property is taken by condemnation, Smart may elect to proceed with this agreement and any condemnation award shall, if received by Seller, be credited against the Option Price or on

the date of closing of title, the Seller shall assign to Smart all rights to receive the award that may be payable.

Miscellaneous

5.1 During the Option Period and prior to Closing, Smart or its agents and contractors may enter onto the Option Property to make reasonable examinations, surveys, and inspections and tests of the Option Property, and to make such soil tests or borings on the land as Smart deems necessary. Smart agrees to repair any damages to the Option Property which Smart or its agents or contractors may cause. Smart shall indemnify, defend and hold harmless the Seller from any and all liens, damages and expenses (including attorneys' fees and expenses of litigation) arising from the exercise of Smart's right of entry on the Option Property.

5.2 Part of the Option Property is presently unincorporated and the remainder is located in Cervo Park. Prior to Closing, Seller shall have the Option Property annexed to Forest or Cervo Park and zoned M-1 except that the property described on Exhibit D attached hereto shall be located entirely in the village in which the Purchase Property is located. Said zoning classification includes the following permitted uses: office, warehousing and distribution of educational materials. Smart shall cooperate as necessary to effect such annexation and zoning and, if necessary, a subdivision, but the same shall be

accomplished at Seller's cost.

5.3 The Seller will not publish or disclose the existence or the terms of this agreement to anyone until Closing, excepting only for information that the Seller must disclose to carry out the provisions of this Agreement. This provision shall survive delivery of the deed to Smart. Notwithstanding the foregoing, Smart may, in its sole discretion, record in the County Clerk's Office a memorandum of this agreement executed by the parties simultaneously with the execution of this Agreement.

5.4 The parties warrant and represent to each other that they have no knowledge of any real estate broker or agent to whom a commission may be payable as a result of this transaction other than Adducci and Baciogulupo; this representation and warranty shall survive Closing and delivery of the deed. Seller shall pay any commission due Adducci and Baciogulupo as a result of this transaction.

5.5 If a search of the title discloses judgements, bankruptcies or other returns against other persons having names the same or similar to that of the Seller, the Seller will cause Lawyer's Title Insurance Company to insure over such title defect.

5.6 It is understood that all rights granted under this agreement may not be assigned by Smart without the prior written consent of Seller. However, Smart may, without Seller's consent, assign its rights under this agreement to Smart's corporate

parent, a subsidiary or affiliate of Smart or a purchaser of all or substantially all of Smart's assets or stock.

5.7 Any notice, request, communication or demand under this agreement shall be in writing and shall be considered properly delivered when addressed as hereinafter provided, given or served personally or by contract carrier, registered or certified mail (return receipt requested) and deposited with said contract carrier or in the United States general or branch post office. Any notice, request, communication or demand by Smart to Seller shall be addressed to Seller at

c/o	Major National Developer 543 Roseland Avenue Forest, Illinois	copy to:	Swift Lawyers 11 West LaSalle Street Chicago, Illinois

until otherwise directed in writing by Seller. Any notice, request, communication or demand by Seller to Smart shall be addressed to the President, 1250 East Adams Avenue, Chicago, Illinois until otherwise directed in writing by Smart. Rejection or other refusal to accept a notice, request, communication or demand or the inability to deliver the same because of a changed address of which no notice was given shall be deemed to be receipt of the notice, request, communication or demand sent.

5.8 This agreement shall not be construed as creating a joint venture between the parties.

5.9 This agreement is made in the State of Illinois and its validity and the rights and obligations of the parties herein shall be determined in accordance with the laws of the State of

Illinois.

5.10 This agreement contains the entire agreement between the parties hereto with respect to the subject matter hereof and shall not be modified in any manner except by instrument in writing executed by the parties hereto.

5.11 This agreement shall bind and benefit the parties hereto and their respective legal representatives, successors and assigns; provided, that it shall not benefit any assignee who takes by assignment in violation of the terms hereof. The obligations of the parties comprising Seller hereunder shall be joint and several.

5.12 Smart agrees that if Smart enters into a contract to sell the Option Property to a third party, Smart shall notify Seller thereof, including with said notice a complete copy of said contract. Seller shall have the right, to be exercised within 30 days of its receipt of Smart's notice, to purchase the Option Property on the same terms and conditions as those contained in said contract. This restriction shall be contained in the deed from Seller to Smart and shall be valid for a period of 25 years from Closing.

5.13 Seller represents and covenants to Smart that, to the best of Seller's knowledge, no hazardous or toxic material, as such terms are defined under applicable local, State or federal laws and regulations, exist on the surface or in the subsurface of the Option Property or in any surface waters or ground waters

on or under the Option Property. Seller further represents and covenants that, to the best of Seller's knowledge, the Option Property has not been used as a sanitary landfill, dump, industrial waste disposal area, or for any other similar uses. Seller agrees to hold harmless, defend and indemnify Smart from any loss, damage, cost (including attorneys' fees), claim or liability relating to personal, property or economic injury arising from or related to the incorrectness of the foregoing representations. The above terms shall survive the Closing and remain in full force and effect for one year thereafter.

5.14 Smart shall not construct any improvements on the Option Property without Seller's prior written consent. Smart agrees that, prior to commencing construction on the Option Property, it shall submit the plans and specifications for the construction to Seller. Seller shall have 45 days after receipt to review the plans and specifications to determine if they comply with Seller's construction and aesthetic standards. If Seller does not approve the plans and specifications, it shall indicate how the plans are deficient. This restriction shall be contained in the deed from Seller to Smart and shall be valid for a period of 10 years from Closing.

5.15 Seller hereby grants to Smart the option to purchase the Alternative Option Property described on Exhibit B-1 in lieu of the Option Property on the same terms and conditions as set forth herein for the Option Property except that the Permissible

Title Exceptions set forth on Exhibit C Shall also include the life estate measured by the life of Mr. Franco Prestomorte. If prior to the time that Smart exercises its option it shall select between the Option Property and the Alternative Option Property, Smart shall promptly notify Seller. Smart agrees to execute and deliver such documents as Seller shall reasonably request to evidence the release of Smart's option as to the Option Property or Alternative Option Property, as the case may be.

5.16 This Agreement is executed by Packard National Bank not personally but as Trustee under Trust Number as 4456 aforesaid, in the exercise of the power and authority conferred upon and vested in said Trustee as such, and it is expressly understood and agreed that nothing contained in this Agreement shall be construed as creating any liability on such Trustee personally to pay any indebtedness accruing hereunder, or to perform any covenants, either expressed or implied, in this Agreement (all such liability, if any, being expressly waived by Smart and by every person now or hereafter claiming any right or security hereunder), it being understood that the Trustee merely holds legal title to the premises described herein and has no control over the management thereof or the income therefrom, and has no knowledge respecting rentals, leases or other factual matter with respect to the premises, except as represented to it by the beneficiary or beneficiaries of said trust. Trustee hereby warrants and represents that it has the power and

authority to execute this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

(SIGNATURES AND TITLES FOLLOW)

APPENDIX: CITY OF FOREST ZONING EXCERPTS

ARTICLE XXIV

M-2 GENERAL MANUFACTURING DISTRICT

SEC. 24-2401. Purpose. The M-2 General Manufacturing District is established to provide areas in which a wide variety of intensive manufacturing concerns may be located; to provide performance standards that will adequately protect the community; to provide regulations to assure adequate open space between uses; and between the boundaries of the M-2 General Manufacturing District.

SEC. 24-2402. Permitted Uses. The following uses are permitted:

Any use permitted in the M-1 Limited Manufacturing District.

Any production, processing, cleaning, servicing, testing or repair, or storage of materials, goods, or products which conform to the performance standards established for this district.

SEC. 24-2403. Special Uses. Any use which may be allowed as a special use in the M-1 Limited Manufacturing District may be allowed as a special use in this M-2 General Manufacturing District.

SEC. 24-2404. Restrictions Upon Uses. All permitted uses are subject to the following conditions:

A. All production, processing, cleaning, servicing, testing, repair or storage of goods, materials or products shall conform with the performance standards set forth in subsection, Performance Standards.

B. Within one hundred fifty (150) feet of a residence district, all business, production, servicing, processing and storage shall take place or be within completely enclosed buildings, except that storage of materials may be open to the sky provided the storage area is enclosed with a solid wall or fence at least eight (8) feet high.

C. However, with such one hundred fifty (150) feet of a residence district, off-street loading facilities and off-street parking of motor vehicles under one and one-half (1-1/2) tons capacity may be unenclosed, except for such screening of parking and loading facilities as may be required under the provisions of Article XXVII.

SEC. 24-2405. Lot and Bulk Regulations

A. Minimum Lot Size. In no case shall the minimum lot area in the M-2 General Manufacturing District be less than two (2) acres with a width at the building line of not less than two hundred (200) feet.

B. Minimum Yards. No building or structure shall hereafter be erected or structurally altered unless the following yards are provided and maintained in connection with such buildings:

1. Front Yard. On every zoning lot a front yard of not less than forty (40) feet in depth shall be provided. However, where lots within the same block and comprising forty (40) percent of the frontage on the same street are already developed on the effective date of this ordinance with front yards and with an average depth of less than forty (40) feet, then such average depth shall be the required front yard depth for such frontage in said block.

2. Side Yards. On every zoning lot a side yard shall be provided along each side lot line. Each side yard shall be not less in width than ten (10) percent of the lot width, but need not exceed twenty (20) feet in width.

3. Minimum Rear Yard. On every zoning lot a rear yard shall be provided and maintained of not less than twenty (20) feet in depth, except that the inner ten (10) feet may be used for off-street parking.

C. Maximum Lot Coverage. Not more than eighty (80) percent of the lot area may be occupied by buildings and structures, including accessory buildings or structures, concrete or paved walkways and/or driveways, and/or other concrete, impermeable or paved areas.

D. Floor Area Ratio. The maximum floor area ratio in the M-2 General Manufacturing District shall be .8.

SEC. 24-2406. Performance Standards. Any use established in the M-2 General Manufacturing District shall be operated so as to comply with the performance standard regulations prescribed in this subsection, and no use lawfully established on the effective date of this Chapter shall be hereafter altered or modified so as to conflict with, or further conflict with such performance standards.

A. Noise.

1. At no point either on the boundary of a residence district or a business district or at one hundred twenty-five (125) feet from the nearest property line of a plant or operation, whichever distance is greater, shall the sound pressure level of an individual operation or plant (other than the operation of motor vehicles and other transportation facilities) exceed the decibel levels at the designated octave bands shown hereafter for the district indicated:

ARTICLE XXIII

M-1 LIMITED MANUFACTURING DISTRICT

SEC. 24-2301. Purpose. The M-1 Limited Manufacturing District is established to provide areas for manufacturing concerns whose operations are of a high performance standard, and to establish standards of performance so that manufacturing districts may be established in a proximity to residential and business districts without adversely affecting such areas; to provide regulations to assure adequate open space between manufacturing uses and the M-1 Limited Manufacturing District boundaries and adjacent residential areas.

SEC. 24-2302. Permitted Uses. The following uses are permitted:

Retail and Service Uses, as follows:

Amusement arcades.

Animal pounds and shelters.

Automobile laundries.

Automobile service stations where the retail sale of gasoline and oil for motor vehicles, including minor services customarily incidental thereto, may be conducted out-of-doors. Lubricating and washing facilities, including auto laundries, are permitted only if in a completely enclosed building.

Banks and financial institutions.

Battery and tire service stations.

Beverages - non-alcoholic, bottling and distributing.

Building material sales, when conducted wholly within a building.

Contractor or construction shops, such as building, cement, electrical, refrigeration, air conditioning, masonry, painting, plumbing, roofing, heating and ventilating.

Currency exchanges.

Drug stores.

Garages and parking lots - other than accessory - and subject to the provisions of Article XXVII.

Greenhouses.

Ice sales, linen, towel, diaper and other similar supply services.

Restaurants.

Trade schools.

Production, processing, cleaning, testing or repair, limited to the following uses and products:

Advertising displays.

Apparel and other products manufactured from textiles.

Art needlework and hand weaving.

Automobile painting, upholstering, repairing, reconditioning and body and fender repairing, when done within the confine of a structure.

Awnings, venetian blinds.

Bakeries.

Beverages - non-alcoholic.

Blacksmith shops.

Books - hand binding and tooling.

Bottling works.

Brushes and brooms.

Building equipment, building materials, lumber, coal, sand and gravel yards, and yards for contracting equipment of public agencies, or public utilities, or materials or equipm of similar nature.

Cameras and other photographic equipment and supplies.

Canvas and canvas products.

Carpet and rug cleaning.

Carting, express hauling or storage yard.

Ceramic products - such as pottery and small glazed tile.

Cleaning and dyeing establishments.

Clothing.

Cosmetics and toiletries.

Creameries and dairies.

Dentures.

Drugs.

Electric appliances such as lighting fixtures, irons, fans, toasters and electric toys.

Electrical equipment assembly, such as home radio and television receivers and home movie equipment, but not including electrical machinery.

Electrical supplies, manufacturing and assembly of, such as wire and cable assembly, switches, lamps, insulation and dry cell batteries.

Food products, processing and combining of (except meat and fish) - baking, boiling, canning, cooking, dehydrating, freezing, frying, grinding, mixing and pressing.

Fur goods, not including tanning and dyeing.

Glass products, from previously manufactured glass.

Hair, felt, and feather products (except washing, curing, dyeing, and salvage).

Hat bodies of fur and wool felt.

Hosiery.

House trailers.

Ice, dry and natural.

Ink mixing and packaging and inked ribbons.

Jewelry.

Laboratories - medical, dental, research, experimental and testing - provided there is no danger from fire or explosion nor offensive noise, vibration, smoke, dust, odors, heat, glare or other objectionable influences.

Laundries.

Leather products, including shoes and machine belting, (except salvage, tanning, curing and dyeing).

Luggage.

Machine shops for tool, die and pattern making.

Metal finishing, plating, grinding, sharpening, polishing, cleaning, rust-proofing, and heat treatment.

Metal stamping and extrusion of small products, such as costume jewelry, pins and needles, razor blades, bottle caps, buttons, and kitchen utensils.

Musical instruments.

Office buildings.

Orthopedic and medical appliances, such as artificial limbs, braces, supports, and stretchers.

Paper products, small, such as envelopes and stationery, bags, boxes, tubes and wallpaper printing.

Pharmaceutical products, compounding only.

Plastic products, but not including the processing of the raw materials.

Precision instruments - such as optical, medical and drafting.

Printing and newspaper publishing, including engraving and photo-engraving.

Public utility electric substations and distribution centers, gas regulation centers and underground gas holder stations.

Railroad passenger depots.

Repair of household or office machinery or equipment.

Rubber products, small and synthetic treated fabrics (ex-

cluding all rubber and synthetic processing), such as washers, gloves, footwear, bathing caps and atomizers.

Silverware, plate and sterling.

Soap, and detergents, packaging only.

Soldering and welding.

Sporting and athletic equipment, such as balls, baskets, cues, gloves, bats, racquets and rods.

Statuary, mannequins, figurines, and religious and church art goods, excluding foundry operations.

Storage and sale of trailers, farm implements and other similar equipment on an open lot.

Storage of flammable liquids, fats or oil, but only after the locations and protective measures have been approved by local governing officials.

Textiles - spinning, weaving, manufacturing, dyeing, printing, knit goods, yarn, thread and cordage, but not including textile bleaching.

Tool and die shops.

Tools and hardware - such as bolts, nuts and screws, door knobs, drills, hand tools and cutlery, hinges, house hardware, locks, non-ferrous metal castings and plumbing appliances.

Toys.

Truck, tractor, trailer or bus storage yard, but not including a truck or motor freight terminal which shall be treated under the subsection, Special Uses.

Umbrellas.

Upholstering (bulk), including mattress manufacturing, rebuilding, and renovating.

Vehicles, children's such as bicycles, scooters, wagons and baby carriages.

Watches.

Wood products, such as furniture, boxes, crates, baskets, and pencils and cooperage works, except salvage.

Any other manufacturing establishments that can be operated in compliance with the performance standards of subsection, Performance Standards, without creating objectionable noise, odor, dust, smoke, gas, fumes, or vapor; and that is a use compatible with the use and occupancy of adjoining properties.

Wholesale and Warehousing: Local cartage and express facilities (but not including motor freight terminals).

Public and Community Services Uses, as follows:

Bus terminals, bus garages, bus lots, street railway terminals, or street car houses.

Electric substations.

Fire stations.

Municipal or privately owned recreation buildings or community centers.

Parks and recreation areas.

Police stations.

Sanitary land fill.

Sewage treatment plants.

Telephone exchanges.

Water filtration plants.

Water pumping stations.

Water reservoirs.

Miscellaneous Uses, as follows:

Accessory uses.

Off-Street Parking and loading, as permitted or required in Article XXVII.

Radio and television towers.

Temporary buildings for construction purposes - for a period not to exceed the duration of such construction of that project on the same lot.

Temporary construction of concrete products, molds, etc., but used only within the confines of a specific construction project.

SEC. 24-2303. Special Uses. The following uses may be allowed by special use permit issued in accordance with the provisions of Article XI:

Any use which may be allowed by special use in the B-3 Service. Automotive and Wholesale Business District.

Hotels and motels, as well as the following auxilliary uses thereto: swimming pools, and (provided no outdoor sign or advertising is displayed) retail sales and personal service business establishments located within the principal building of any such hotel or motel, including but not limited to restaurants, the sale of alcoholic beverages, live entertainment, dancing, taverns, and meeting rooms.

Motor freight terminals.

Stadiums, auditoriums and arenas.

Theaters, outdoor drive-in; including stacking for ingress and egress.

Any use permitted in the M-2 General Manufacturing District, provided the performance standards of subsection, Performance Standards, can be met in their entirety.

SEC. 24-2304. Restrictions Upon Uses. All permitted uses are subject to the following conditions:

A. Any production, processing, cleaning, servicing, testing, repair or storage of goods, materials, or products shall conform with the performance standards set forth below:

1. All business, production, servicing and processing shall take place within completely enclosed buildings unless otherwise specified. Within one hundred fifty (150) feet of a residence district, all storage shall be in completely enclosed buildings or structures, and storage located elsewhere in this district may be open to the sky, but shall be enclosed by solid walls or fences (including solid doors or gates thereto) at least eight (8) feet high but in no case lower in height than the enclosed storage and suitably landscaped.

2. However, open off-street loading facilities and open off-street parking of motor vehicles under one and one-half (1-1/2) tons capacity may be enclosed throughout the district, except for such screening of parking and loading facilities as may be required under the provisions of Article XXVII.

B. Uses established on the effective date of this ordinance, and by its

APPENDIX: VILLAGE OF CERVO PARK ZONING EXCERPTS

5.8 INDUSTRIAL DISTRICTS. The following regulations shall apply to industrial districts as indicated.

5.81 amended PERMITTED USES IN THE I-1 (Restricted Industrial District) The following industrial uses are permitted and none other subject to the provisions hereof.

A. Industrial uses provided a prior compliance certificate is issued pursuant to 5.83 of this Ordinance, however, the following manufacturing and processing uses as are classified in the "Standard Industrial Classification Manual" (1967 Edition) prepared by the Office of Statistical Standards, United States Government are not permitted:

Comparable 1972 SIC Categories	Group	
348	191	Guns, howitzers, mortars and related equipment.
348	192	Ammunition, except for small arms.
3795	193	Tanks and tank components.
Use 1967 Group 194	194	Sighting and fire control equipment.
348	195	Small arms.
348	196	Small arms ammunition.
348	199	Ordinance and accessories, not elsewhere classified.
Canned 201+	2011	Meat packing plants.
Specialties-2032	2013	Manufacture of sausage and other prepared
Pet and		meat products.
Foods - 2047	2015	Poultry and small game, dressing and packing.
2091	2031	Canning and curing of fish and sea food.
2092	2036	The processing of fresh or frozen packaged fish or sea foods.
	204	Grain mill products.
	206	Sugar.
	2082	The manufacture or processing of malt liquors.
	2083	The manufacture of malt.
	2084	The manufacture or process of wines, brandy and brandy spirits.
	2085	The distilling, rectifying and blending of liquor.
2074	2091	The manufacture of cotton seed oil mills.
2075	2092	**The manufacture of soy bean oil mills**
2076	2093	**The manufacture of vegetable oil in oil mills**
2077	2094	The manufacture of animal and marine fats and oils.
2079	2096 amended	The manufacture of shortening, table oil, margarine, and other eatable fats and oils, not otherwise classified; provided, however, this provision shall not prevent the processing of said products by a chilling procedure or such other procedure not productive of odor.
	214	Tobacco stemming and redrying.

(Section 5.81 number 2096 amended by Ord. No. 1098 passed 9-28-76.)

	1972		Dyeing, finishing and impregnating, coating and rubberizing of textiles and fabrics.
			The manufacture of wooden products involving the extensive use of glues, and adhesives.
		2491	Wood preserving, including the creosoting or adding of preservatives to wood.
		242	Saw mills and planning mills.
		261	Pulp mills.
		262	Paper mills, except building paper mills.
		263	Paperboard mills.
		266	Building paper and building board mills.
		281	Industrial inorganic
	286	281	Organic chemicals
		287	A gricultural chemicals.
		291	Petroleum refining.
		295	Paving and roofing materials.
		299	Miscellaneous products of petroleum and coal.
		301	Tire and inner tubes.
Rubber & Plastic footwear	302	302	Rubber Footwear
		303	Reclaimed rubber.
		311	Leather tanning and finishing.
		321	Flat glass.
		322	Glass and glassware, pressed or blown.
		325	Structural clay products.
		327	Concrete, gypsum and plaster products.
		328	Crushed stone and stone products.
		329	Abrasive, asbestos and miscellaneous non-metallic mineral products.
		331	Blast furnace, steel works and rolling and finishing mills.
		332	Iron and steel foundries.
		333	Primary smelting and refining of nonferrous metals.
		334	Secondary smelting and refining of nonferrous metals.
		335	Rolling, drawing and extruding of nonferrous metals.
		336	amended Nonferrous Foundries, except for those aluminum casting operations employing permanent molds exclusively, the low pressure casting process and electric furnaces.

Comparable 1972 SIC Categories:
Wholesale Trade
50 Durable Goods
51 Non-durable goods

B. Non-retail commercial, including establishments classified as Major Group 50 in "Standard Industrial Classification Manual" (1967 Edition) prepared by the Office of Statistical Standards, United States Government, provided same are engaged in selling merchandise to retailers, to industrial, commercial, institutional or professional users.

C. Research Laboratories.

(Section 5.81, 336 Nonferrous Foundries, amended by Ord. No. 1292 passed 3-27-79.)

D. Offices.

1. General Business Offices
2. Veterinary Out-Patient Clinics, subject to following condition:

(a) There shall be no boarding of animals of any kind except for those animals so ill that the personal attention of a doctor of veterinary medicine is required, or those animals recovering from surgery, providing that any such boarding facility permitted be situated in the clinic and not attached thereto.

(b) All business must be conducted within a completely enclosed building, and no outdoor kennel of any kind shall be permitted.

(c) Incinerators, lime pits or other facilities for the destruction of animal waste or corpses or any type shall not be permitted.

(d) Parking requirements shall be in accordance with Section 3.96 (c) (2), Medical or Dental Clinics.

E. Retail uses, accessory to the primary use located on the premises, as a conditional use hereunder, subject to the following conditions:

(1) amended Said retail use does not occupy more than twenty (20%) percent of the floor area of the primary building or structure located on a lot or parcel involved.

(2) The retail use does not require outside signs or storage, other than an identification sign not exceeding ten (10) square feet, and otherwise in accordance wtih the sign ordinances of the Village.

(3) An additional and separated parking area is provided, said area to be separated from all other parking areas and to have such additional required space as if said retail use was in addition to the floor area of the primary use, and as required by the business zoning classification for a comparable use.

(4) Such special access requirements as are deemed necessary by the Chief of Police and the Village Engineer so as not to interfere with established public street traffic to and from the primary use.

F. PARKING AND LOADING. The Off-Street Parking and Loading requirements shall be in accordance with Section 3.9.

G. BULK. Bulk regulations on page 28 shall apply.

(Section 5.81 par. "D" added by Ord. No. 898 passed 11-17-73.)
(Section 5.81 Par. "E" amended by Ord. No. 1125 passed 3-8-77.)
(Section 5.81 Par. "E-1" amended by Ord. No. 1557 passed 3-22-83.)

5.82 amended PERMITTED USES IN THE I-2 (General Industrial District)

The following industrial uses are permitted and none other subject to provsions hereof.

A. Industrial uses conditional upon issuance of prior compliance certificate.

B. Non-retail commercial.

C. Research laboratories.

D. Office.

E. Retail uses, accessory to the primary use located on the premises, as a conditional use hereunder, subject to the following conditions:

(1) amended Said retail use does not occupy more than twenty (20%) percent of the floor area of the primary building or structure located on a lot or parcel involved.

(2) The retail use does not require outside signs or storage, other than an identification sign not exceeding ten (10) square feet, and otherwise in accordance with the sign ordinances of the Village.

(3) An additional and separated parking area is provided, said area to be separated from all other parking areas and to have such additional required space as if said retail use was in addition to the floor area of the primary use, and as required by the business zoning classification for a comparable use.

(4) Such special access requirements as are deemed necessary by the Chief of Police and the Village Engineer so as not to interfere with established public street traffic to and from the primary use.

F. PARKING AND LOADING. The Off-street Parking and Loading requirements shall be in accordance with Section 3.9.

G. BULK. Bulk regulations on page 28 shall apply.

(Section 5.82 par. (E) amended by Ord. No. 1125 passed 3-8-77.)
(Section 5.82 par. (E-1) amended by Ord. No. 1557 passed 3-22-83.)

5.83 PRIOR COMPLIANCE CERTIFICATE.

A. DEFINITION. A certificate issued by the Village Engineer or an Engineer designated by the Corporate Authorities that a proposed use will meet the performance standards of the Village Ordinance.

B. RULES. Rules for obtainment of compliance certificate:

(1) The owner, occupant, or user prior to using premises and the issuance of an occupancy certificate shall submit an application for same detailing the nature of the proposed use on forms prepared by the Village and as approved by the President and Board of Trustees by resolution.

(2) The Village Engineer, upon receipt of the application shall issue a prior compliance certificate within twenty-one (21)days or advise the proposed user as to reasons for his refusal or delay. In the event of an adverse decision to the applicant, he shall have a right of appeal to the President and Board of Trustees.

(3) A prior compliance certificate shall be valid only so long as the use is made of the premises for which issued and provided the information submitted to obtain same is accurate and complete. The Village shall not be prevented by the issuance of the prior compliance certificate from terminating same if the use made of the premises is not in conformity with Village ordinances.

5.84 ACCESSORY STRUCTURES AND USES PERMITTED IN ALL INDUSTRIAL DISTRICTS.

A. Signs in conformance with Village Sign Ordinances.

B. Garage and other buildings and use accessory to the principal use.

C. Antenna for communication purposes.

5.85 amended SPECIAL USES IN ALL INDUSTRIAL DISTRICTS.

A. Railroad tracks.

B. Restaurants, banks, motels, new auto or truck dealers, lodges, meeting halls, industrial suppliers, blue printing and medical clinics.

C. Retail sale of merchandise wherein the floor area of said retail use exceed twenty (20%) percent of the entire floor area of the primary building or structure and where said retail use is in conjunction with wholesale uses or wholesale storage of merchandise.

D. Indoor teaching and training facility for teaching basic and advanced skills in the art and sport of gymnastics.

(Section 5.85 amended by adding "C" by Ord. No. 1557 passed 3-22-83.)
(Section 5.85 amended by adding "D" by Ord. No. 1682 passed 12-11-84.)

In granting a special use permit for retail sales, the President and Board of Trustees shall consider the following requirements and conditions in addition to the conditions and procedures set forth in Section 3.32 herein:

1. That the traffic generated from the premises will not have a deleterious effect on existing industrial uses in proximity to the proposed site.

2. The retail use does not require outside signs or storage, other than an identification sign not exceeding ten (10) square feet, and otherwise in accordance with the Sign Ordinances of the Village.

3. Parking. A parking area shall be provided in accordance with the provisions of Section 3.9 of the Zoning Ordinance. In determining the applicable number of parking stalls, the Village shall consider the nature of the products being offered for sale as same relate to the requirements of Section 3.9, the ratio of floor area designated for retail and wholesale sales as compared to floor area designated for storage or non-consumer access, and such other considerations as are deemed necessary to ensure compliance with the Zoning Ordinance.

4. Such special access requirements as are deemed necessary by the Chief of Police and the Village Engineer so as not to interfere with established public street traffic to and from the proposed use.

5. The need for the retail sales in the area proposed and the benefit to the Village, including projection of revenues, to be derived from the granting of the special use permit. In that regard, the Village may require copies of monthly, quarterly or annual sales and use tax returns filed with the Illinois Department of Revenue as a conditon of the granting of the special use permit.

5.86 USES PROHIBITED IN ALL INDUSTRIAL DISTRICTS

A. All residential uses, including mobile homes and mobile home parks, but excluding apartment residence facilities for use by owners or caretakers of the permitted primary use; abbatoirs; arsenals; crematories, creosote treatment or manufacture; fat rendering; manufacture or storage of fireworks and explosives; dumping, reduction or other processing of garbage, dead animals, offal or refuse, except as incidental to a permitted use; ore reduction; petroleum processing or refining, pyroxylin manufacture; natural or synthetic rubber, cadutchouc, or gutta percha manufacture; or treatment, salt works; sauerkraut manufacturing; soap manufacture; stockyard or slaughter of animals or fowl, tallow, grease, or lard manufacture; or treatment; tanning, curing or storage of rawhide or skins; fertilizer manufacture; ore reduction; smelters; junk shop, junk yards or automobile wrecking yards, commercial incinerators; sanitary land fills; cement, concrete, asphaltic concrete plants; tar distillation or manufacture; extraction of gravel, sand and other raw materials, drive-in theaters.

B. No activities involving the storage, utilization or manufacture of materials or products which decompose by detonation shall be permitted, except that these activities customarily incidental to the operation of permitted principal use may be permitted by a variation by the President and Board of Trustees. Such materials shall be stored, utilized and manufactured in accordance with the applicable rules and regulations of the Village and the State of Illinois.

C. Such materials as referred to above shall include but shall not be confined to all primary explosives such as lead azide, lead styphnate, fulminates and tetracene; all high explosives such as TNT, RDX, EMM, PETN and picric acid; propellants and components thereof, such as dry nitrocellulose, black powder, boron hydrides, hydrazine and its derivatives; pyrotechnics and fireworks such as magnesium powder, potassium chlorate and potassium nitrate; blasting explosives such as dynamite and nitroglycerine; unstable organic compounds such as acetylides, tetrazoles, and ozonides; unstable oxidizing agents such as perchloric acid, perchlorates, chlorates, and hydrogen peroxide in concentrations greater than thirty-five per cent (35%); and nuclear fuels, fissionable materials and products, and reactor elements such as Uranium 235 and Plutonium 239.

5.87 I-1 and I-2 INDUSTRIAL DISTRICTS

A. All activities, involving manufacturing, fabricating, processing, assembling, dis-assembling, repairing, cleaning, servicing and testing shall be conducted in completely enclosed buildings.

B. The storage of materials, products and goods may be outdoors, in side or rear yards, if completely screened from public view, provided such storage not be within 15 feet of any structure.

C. Outdoor storage of uncontained bulk materials such as powder, grain, stone, sand and coal which has a tendency to become windborne is prohibited.

5.9 PERFORMANCE STANDARDS INDUSTRIAL DISTRICT.
Any use established in an industrial district shall be operated in such a manner as to comply with the applicable performance standards as hereinafter set forth governing noise, vibration, smoke, toxic matter, odors, fire and explosive hazards and glare. No use already established on the effective date of this Ordinance shall be so altered or modified as to conflict with or further conflict with the applicable performance standards for the district in which such use is located.

5.91 NOISE

A. Measurement of noise shall be made with a Sound-Level Meter which meets the requirements for general-purpose (Type 2) sound-level meters given in American National Standards Institute (A.N.S.I.) Standard S1.4-1971 (or its latest revision). The "A-Weighting" network and the "Slow" meter response of the sound-level meter shall be used, except that the "Fast" meter response shall be used to measure noise of an impulse character (such as from forge hammers, punch presses and metal shears). Correct operation of the meter must be assured by an acoustical calibration (E.G. with an Acoustical Calibrator) before and after each series of measurements. The manufacturer's specifications for orientation of the microphone for minimum diffraction effects and most uniform response shall be used. The data so obtained shall be referred to hereinafter as "dB(A)" sound levels.

B. The recorded dB(A) sound level at any location shall be the numerical average of not less than three (3) "readings" taken at least 30 seconds apart. Each "reading" shall be the best estimate of central tendency of the meter deflection in a five (5) second period, except that the maximum meter indication shall be used for noise of an impulse character. Care shall be taken that the reading is not unduly influenced by traffic, aircraft, and other noise sources. A reading shall be considered valid for the purpose of enforcing

APPENDIX: PROFORMAS

PROJECT COST ESTIMATE

JOINT VENTURE 1	TOTAL COST	COST PER SF	SF	YRS DEPRCN	DPRCN/YR
LAND	$914,760	3.50	261,360	0	0
IMPROVEMENTS					
BUILDING	$11,000,000	55.00	200,000	18	611,111
SITE	$522,720	2.00	261,360	18	29,040
OFF SITE IMP	$200,000			18	11,111
TENANT IMP (LL)	$3,420,000	18.00	190,000	5	684,000
TOTAL IMP	$15,142,720				
SOFT COSTS					
ARCH & ENG	$454,282 (3% OF IMPROVEMENTS)			18	25,238
LEGAL	$60,000			18	3,333
DEVELOPMENT FEE	$302,854 (2% OF IMPROVEMENTS)			18	16,825
TAX DURING CONST (.25 PER SF)	$50,000			1	50,000
LEASE COMM	$210,000 (15% FULL YR ON SPEC PART)			5	42,000
OPER EXP BEF OCC	$100,000	0.50	200,000	1	100,000
TOTAL SOFT	$1,177,136				
SUB TOT	17,234,616				
CONTINGENCY	1,723,462			18	95,748
CONST COST	18,958,078				
EQUITY IN	1,895,808				
CONST LN AMT	17,062,270				
CONST LN INT	725,146			18	40,286
POINTS PERM LN	363,008			1	363,008
PERM LN AMT	18,150,425				

Smart Corporation Building
Projected Total Occupancy Cost
JOINT VENTURE 1
50/50 OWNERSHIP ON 200,000 SF BUILDING ON OPTIONED SITE

200,000	SF	BUILDING SQUARE FEET
0.10	CAP	CAP RATE
0.20	CGTAX	CAPITAL GAINS TAX
18,958,078	CONSTCST	CONSTRUCTION COST
0.085	CLNINT	CONSTRUCTION LOAN INTEREST
302,854	DEVFEE	DEVELOPER FEE
1,895,808	EQUITY	EQUITY AMOUNT
0.05	INF	INFLATION RATE (ANNUAL)
0.10	LPPRIOR	LIMITED PARTNER PRIORITY DISTRIBUTION
0.50	LPPROEX	LIMITED PARTNER PROPORTION OF EXCESS
18,150,425	MORT	PERMANENT LOAN AMOUNT
0.12	NPVGP	NPV DISCOUNT RATE GENERAL PARTNER before tax
0.12	NPVLP	NPV DISCOUNT RATE LIMITED PARTNER before tax
2.00	OPEX	OPERATING EXPENSE PER SF
0.50	ORDTAX	ORDINARY INCOME TAX RATE
0.095	PLINT	PERMANENT LOAN INTEREST
14.00	RENTLP	RENT RATE LIMITED PARTNER
14.00	RENTM	RENT RATE MARKET
100,000	LPSP	SPACE OCCUPIED BY LIMITED PARTNER
1.00	RETAX	REAL ESTATE TAX RATE PER SF
0.05	VAC	VACANCY RATE FOR SPEC PART
0.10	PE	EQUITY REQUIRED
0.05	MGFEE	MANAGEMENT FEE
15.00	LPM	LENGTH OF PERM MORTGAGE
0.20	NPVGA	NPV DISCOUNT RATE GENERAL PARTNER (after tax)
0.20	NPVLA	NPV DISCOUNT RATE LIMITED PARTNER (after tax)
0.02	PPTS	POINTS ON PERMANENT LOAN
30.00	FIT	TENANT FIT UP PER SF (cost to Smart Corp.)
12.00	FF	F AND F COST PER SF
250,000	MOV	MOVING COST
0.400	FYV	FIRST YEAR VACANCY RATE FOR SPEC PART
962,000	REL	RELOCATION EXPENSE

YEAR	1987 Const	1988 Lease	1989 1	1990 2	1991 3	1992 4	1993 5	1994 6	1995 7	1996 8	1997 9	1998 10	1999
INCOME													
GROSS RENT			2,800,000	2,800,000	2,800,000	2,800,000	2,800,000	3,573,588	3,573,588	3,573,588	3,573,588	3,573,588	4,560,905
VAC. RESERVE			560,000	70,000	70,000	70,000	70,000	89,340	89,340	89,340	89,340	89,340	114,023
GROSS INCOME			2,240,000	2,730,000	2,730,000	2,730,000	2,730,000	3,484,249	3,484,249	3,484,249	3,484,249	3,484,249	4,446,882
EXPENSES													
OPER EXP.(LL)			400,000	400,000	400,000	400,000	400,000	510,513	510,513	510,513	510,513	510,513	651,558
RE TAXES			200,000	200,000	200,000	200,000	200,000	255,256	255,256	255,256	255,256	255,256	325,779
MANAGEMENT EXPENSES			112,000	136,500	136,500	136,500	136,500	174,212	174,212	174,212	174,212	174,212	222,344
TOT EXPENSES			712,000	736,500	736,500	736,500	736,500	939,981	939,981	939,981	939,981	939,981	1,199,681
NET OPERATING INCOME			1,528,000	1,993,500	1,993,500	1,993,500	1,993,500	2,544,267	2,544,267	2,544,267	2,544,267	2,544,267	3,247,201
CAP RATE													
DEBT SERVICE			1,724,290	1,724,290	1,724,290	1,724,290	1,724,290	1,724,290	1,724,290	1,724,290	1,724,290	1,724,290	
BEFORE TAX CASH FLOW			(196,290)	269,210	269,210	269,210	269,210	819,977	819,977	819,977	819,977	819,977	
(+) DEFICIT	0	0	196,290	0	0	0	0	0	0	0	0	0	
CASH FLOW	0	0	0	269,210	269,210	269,210	269,210	819,977	819,977	819,977	819,977	819,977	
LIMITED PARTNERS CASH													
PRIORITY			0	189,581	189,581	189,581	189,581	189,581	189,581	189,581	189,581	189,581	
EXCESS			0	39,814	39,814	39,814	39,814	315,198	315,198	315,198	315,198	315,198	
SALE PROCEED												6,212,891	
TOTAL LP CASH	(1,895,808)		0	229,395	229,395	229,395	229,395	504,779	504,779	504,779	504,779	6,717,670	
ACCUMULATED CASH			0	229,395	458,790	688,186	917,581	1,422,360	1,927,139	2,431,917	2,936,696	9,654,366	

NPV	1,221,045	DISCOUNTED AT	12.00%									
% ROI	-100.00%	0.00%	0.00%	12.10%	12.10%	12.10%	12.10%	26.63%	26.63%	26.63%	26.63%	354.34%
% IRR	18.94%											
EQUITY OTSTG	1,895,808	1,895,808	1,895,808	1,895,808	1,895,808	1,895,808	1,895,808	1,895,808	1,895,808	1,895,808	1,895,808	1,895,808
LIMITED PARTNER OCCUPANCY COST BT												
-F AND F		1,200,000										
-TENANT FIT UP		3,000,000										
+CASH FROM PAR	(1,895,808)	0	0	229,395	229,395	229,395	229,395	504,779	504,779	504,779	504,779	6,717,670
-RELOCATION EXP.		962,000										
-RENT PAID	867,000	950,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,786,794	1,786,794	1,786,794	1,786,794	1,786,794
-MOVING EXPENSE		250,000										
+LEASE SELLOUT			505,000	505,000	505,000	476,000	455,000	455,000	455,000	455,000	455,000	425,500
COST OF OCCUPANCY	(2,762,808)	(6,362,000)	(895,000)	(665,605)	(665,605)	(694,605)	(715,605)	(827,015)	(827,015)	(827,015)	(827,015)	5,356,376
ACCUM CASH SPENT	(2,762,808)	(9,124,808)	(10,019,808)	(10,685,413)	(11,351,017)	(12,045,622)	(12,761,227)	(13,588,242)	(14,415,258)	(15,242,273)	(16,069,288)	(10,712,913)
NPV	(9,413,304)	DISCOUNTED AT	12.00%									
%IRR	-14.41%											
%ROI	-145.73%	-335.58%	-47.21%	-35.11%	-35.11%	-36.64%	-37.75%	-43.62%	-43.62%	-43.62%	-43.62%	282.54%
DEVELOPER CASH												
PRIORITY												
EXCESS			0	39,814	39,814	39,814	39,814	315,198	315,198	315,198	315,198	315,198
SALE PROCEED												6,212,891
TOTAL DEVELOPER CASH			0	39,814	39,814	39,814	39,814	315,198	315,198	315,198	315,198	6,528,089
ACCUM DEV CASH	0	0	0	39,814	79,629	119,443	159,258	474,456	789,654	1,104,852	1,420,050	7,948,139
%ROI												
% IRR												
NPV	2,194,738	DISCOUNTED AT	12.00%									

AFTER TAX ANALYSIS

YEAR	1987	1988	1989 1	1990 2	1991 3	1992 4	1993 5	1994 6	1995 7	1996 8	1997 9	1998 10	1999
BEFORE TAX CASH FLOW	0	0	(196,290)	269,210	269,210	269,210	269,210	819,977	819,977	819,977	819,977	819,977	
NON-CASH EXPENSES													
ONE YEAR			513,008										
FIVE YEAR			726,000	726,000	726,000	726,000	726,000						
TEN YEAR													
EIGHTEEN YEAR			832,692	832,692	832,692	832,692	832,692	832,692	832,692	832,692	832,692	832,692	
TOT NON-TAX EXP			2,071,701	1,558,692	1,558,692	1,558,692	1,558,692	832,692	832,692	832,692	832,692	832,692	
TAXABLE INCOME	0	0	(2,267,991)	(1,289,483)	(1,289,483)	(1,289,483)	(1,289,483)	(12,716)	(12,716)	(12,716)	(12,716)	(12,716)	
LP TAXABLE INCOME FROM PARTNERSHIP (LOSSES)													
PRIORITY			(189,581)	(189,581)	(189,581)	(189,581)	(189,581)	0	0	0	0	0	
TAX EXCESS			(1,039,205)	(549,951)	(549,951)	(549,951)	(549,951)	(6,358)	(6,358)	(6,358)	(6,358)	(6,358)	
TOT LP TAX. INCOME			(1,228,786)	(739,532)	(739,532)	(739,532)	(739,532)	(6,358)	(6,358)	(6,358)	(6,358)	(6,358)	
ACCUM LP LOSS			(1,228,786)	(1,968,318)	(2,707,850)	(3,447,381)	(4,186,913)	(4,193,271)	(4,199,629)	(4,205,986)	(4,212,344)	(4,218,702)	
DEVELOPER TAXABLE INCOME (LOSSES)													
PRIORITY													
TAX EXCESS			(1,039,205)	(549,951)	(549,951)	(549,951)	(549,951)	(6,358)	(6,358)	(6,358)	(6,358)	(6,358)	
TOT DEV TAX. INCOME			(1,039,205)	(549,951)	(549,951)	(549,951)	(549,951)	(6,358)	(6,358)	(6,358)	(6,358)	(6,358)	
ACCUM DEV LOSS			(1,039,205)	(1,589,156)	(2,139,107)	(2,689,058)	(3,239,009)	(3,245,367)	(3,251,725)	(3,258,083)	(3,264,440)	(3,270,798)	

LP AFTER-TAX BENEFITS

BENEFIT			614,393	369,766	369,766	369,766	369,766	3,179	3,179	3,179	3,179	3,179
CASH			0	229,395	229,395	229,395	229,395	504,779	504,779	504,779	504,779	504,779
SALE PROCEED												5,334,085
TOT AFTER-TAX RETURN	(1,895,808)		614,393	599,161	599,161	599,161	599,161	507,958	507,958	507,958	507,958	5,842,043
LP % ROI			32.41%	31.60%	31.60%	31.60%	31.60%	26.79%	26.79%	26.79%	26.79%	308.16%
%IRR	27.34%											
NPV	695,528	DISCOUNTED AT	20.00%									

LIMITED PARTNER AFTER TAX TOTAL OCCUPANCY COST

-MOVING COST		250,000										
+MOVING COST BENEFIT		125,000										
+PTNSP AT RETU	(1,895,808)	0	614,393	599,161	599,161	599,161	599,161	507,958	507,958	507,958	507,958	5,842,043
-RENT	867,000	950,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,786,794	1,786,794	1,786,794	1,786,794	1,786,794
+RENT BENEFIT	433,500	475,000	700,000	700,000	700,000	700,000	700,000	893,397	893,397	893,397	893,397	893,397
-TENANT FIT UP		3,000,000										
+FIT UP BENEFIT			300,000	300,000	300,000	300,000	300,000					
+LEASE SELLOUT			505,000	505,000	505,000	476,000	455,000	455,000	455,000	455,000	455,000	425,500
-TAX ON SELLOUT			252,500	252,500	252,500	238,000	227,500	227,500	227,500	227,500	227,500	212,750
-RELOCATION COST		962,000										
+RELOCATION BENEFIT		481,000										
-F AND F COST		1,200,000										
+F AND F BENEFIT			120,000	120,000	120,000	120,000	120,000					
TOTAL LP AFTER TAX OCCUPANCY COST	(2,329,308)	(5,281,000)	586,893	571,661	571,661	557,161	546,661	(157,939)	(157,939)	(157,939)	(157,939)	5,161,396
accum occupancy cost	(2,329,308)	(7,610,308)	(7,023,415)	(6,451,754)	(5,880,093)	(5,322,931)	(4,776,270)	(4,934,210)	(5,092,149)	(5,250,088)	(5,408,028)	(246,632)
NPV	(3,959,457)	DISCOUNTED AT	20.00%									
IRR	-0.42%											
ROI	-122.87%	-278.56%	30.96%	30.15%	30.15%	29.39%	28.84%	-8.33%	-8.33%	-8.33%	-8.33%	272.25%

DEVELOPER AFTER-TAX BENEFITS

BENEFIT	0	0	519,603	274,976	274,976	274,976	274,976	3,179	3,179	3,179	3,179	3,179
CASH	0	0	0	39,814	39,814	39,814	39,814	315,198	315,198	315,198	315,198	315,198
SALE PROCEED												3,969,103
TOTAL AFTER TAX RETURN	0	0	519,603	314,790	314,790	314,790	314,790	318,377	318,377	318,377	318,377	4,287,480

NPV 1,483,173 DISCOUNTED AT 20.00%

SALE SCENARIO

NOI	3,247,201
CAP RATE	10.00%
SALES PRICE	32,472,014
MINUS UNPD MORT	18,150,425
MINUS EQ OUTSTG	1,895,808
NET SALES PROCEEDS	12,425,782

AFTER TAX SALE SCENARIOS

DEVELOPER		LIMITED PARTNER
0	BEGINNING CAPITAL	1,895,808
3,270,798	-LOSSES	4,218,702
1,735,248	-CASH	3,441,475
(5,006,046)	CAPITAL BALANCE	(5,764,369)
6,212,891	-SHARE OF SALE PROCEEDS	8,108,699
(11,218,937)	CAPITAL BALANCE AT SALE	(13,873,068)
20.00%	CAPITAL GAINS RATE	20.00%
2,243,787	TAX DUE ON SALE	2,774,614
6,212,891	SALES PROCEEDS	8,108,699
3,969,103	AFTER TAX PROCEEDS	5,334,085

PARTITION ANALYSIS OF RETURNS

OCCUPANCY COSTS**********	(867,000)	(6,362,000)	(895,000)	(895,000)	(895,000)	(924,000)	(945,000)	(1,331,794)	(1,331,794)	(1,331,794)	(1,331,794)	(1,361,294)
NPV (8,137,827) DISCOUNTED AT		20.00%										
CASH**********	(1,895,808)	0	0	229,395	229,395	229,395	229,395	504,779	504,779	504,779	504,779	504,779
NPV (814,879) DISCOUNTED AT		20.00%										
TAX BENEFITS**********	433,500	1,081,000	1,481,893	1,237,266	1,237,266	1,251,766	1,262,266	669,076	669,076	669,076	669,076	683,826
NPV 4,394,997 DISCOUNTED AT		20.00%										
RESIDUAL**********	0	0	0	0	0	0	0	0	0	0	0	5,334,085
NPV 598,253 DISCOUNTED AT		20.00%										
TOTAL RETURNS **********	(2,329,308)	(5,281,000)	586,893	571,661	571,661	557,161	546,661	(157,939)	(157,939)	(157,939)	(157,939)	5,161,396
NPV (3,955,457) DISCOUNTED AT		20.00%										

SENSITIVITY ANALYSIS JOINT VENTURE 1

BUILDING COST	BT NPV +C146	AT NPV +C267
17,062,270	(8,695,745)	(3,691,561)
18,958,078	(9,413,305)	(3,959,457)
20,353,885	(10,251,670)	(4,306,052)

RENT RATE OF SPEC PART

	+C146	+C267
12.60	(9,984,731)	(4,152,119)
14.00	(9,413,304)	(3,959,457)
15.40	(8,839,860)	(3,798,053)

VACANCY RATE

	+C146	+C267
2.00%	(9,245,245)	(3,904,730)
5.00%	(9,413,304)	(3,959,457)
10.00%	(9,693,403)	(4,050,668)

INCOME TAX RATE

+C267	38.00%	20.00%
38.00%	(5,294,328)	(5,014,256)
50.00%	(4,239,529)	(3,959,457)

INFLATION RATE

	+C146	+C267
2.00%	(10,348,767)	(4,268,142)
5.00%	(9,413,304)	(3,959,457)
10.00%	(7,164,600)	(3,152,802)

PROJECT COST ESTIMATE

JOINT VENTURE 2		TOTAL COST	COST PER SF	SF	YRS DEPRCN	DPRCN/YR
LAND		$1,960,200	7.50	261,360	0	0
IMPROVEMENTS						
BUILDING		$11,000,000	55.00	200,000	18	611,111
SITE		$522,720	2.00	261,360	18	29,040
OFF SITE IMP		$200,000			18	11,111
TENANT IMP (LL)		$3,420,000	18.00	190,000	5	684,000
	TOTAL IMP	$15,142,720				
SOFT COSTS						
ARCH & ENG		$454,282 (3% OF IMPROVEMENTS)			18	25,238
LEGAL		$60,000			18	3,333
DEVELOPMENT FEE		$302,854 (2% OF IMPROVEMENTS)			18	16,825
TAX DURING CONST		$60,000	0.30	200,000	1	60,000
LEASE COMM		$270,000 (15% FULL YR ON SPEC PART)			5	54,000
OPER EXP BEF OCC		$100,000	0.50	200,000	1	100,000
	TOTAL SOFT	$1,247,136				
	SUB TOT	18,350,056				
	CONTINGENCY	1,835,006			18	101,945
	CONST COST	20,185,062				
	EQUITY IN	2,018,506				
	CONST LN AMT	18,166,555				
	CONST LN INT	772,079			18	42,893
	POINTS PERM LN	386,503			1	386,503
	PERM LN AMT	19,325,137				

Smart Corporation Building
Projected Total Occupancy Cost
JOINT VENTURE 2
50/50 OWNERSHIP ON 200,000 SF BUILDING IN OFFICE PARK

200,000	SF	BUILDING SQUARE FEET
0.10	CAP	CAP RATE
0.20	CGTAX	CAPITAL GAINS TAX
20,185,062	CONSTCST	CONSTRUCTION COST
0.085	CLNINT	CONSTRUCTION LOAN INTEREST
302,854	DEVFEE	DEVELOPER FEE
2,018,506	EQUITY	EQUITY AMOUNT
0.05	INF	INFLATION RATE (ANNUAL)
0.10	LPPRIOR	LIMITED PARTNER PRIORITY DISTRIBUTION
0.50	LPPROEX	LIMITED PARTNER PROPORTION OF EXCESS
19,325,137	MORT	PERMANENT LOAN AMOUNT
0.12	NPVGP	NPV DISCOUNT RATE GENERAL PARTNER before tax
0.12	NPVLP	NPV DISCOUNT RATE LIMITED PARTNER before tax
2.00	OPEX	OPERATING EXPENSE PER SF
0.50	ORDTAX	ORDINARY INCOME TAX RATE
0.095	PLINT	PERMANENT LOAN INTEREST
18.00	RENTLP	RENT RATE LIMITED PARTNER
18.00	RENTM	RENT RATE MARKET
100,000	LPSP	SPACE OCCUPIED BY LIMITED PARTNER
1.50	RETAX	REAL ESTATE TAX RATE PER SF
0.05	VAC	VACANCY RATE FOR SPEC PART
0.10	PE	EQUITY REQUIRED
0.05	MGFEE	MANAGEMENT FEE
15.00	LPM	LENGTH OF PERM MORTGAGE
0.20	NPVGA	NPV DISCOUNT RATE GENERAL PARTNER (after tax)
0.20	NPVLA	NPV DISCOUNT RATE LIMITED PARTNER (after tax)
0.02	PPTS	POINTS ON PERMANENT LOAN
30.00	FIT	TENANT FIT UP PER SF (cost to Smart Corp.)
12.00	FF	F AND F COST PER SF
250,000	MOV	MOVING COST
0.400	FYV	FIRST YEAR VACANCY RATE FOR SPEC PART
962,000	REL	RELOCATION COST

YEAR	1987 Const	1988 Lease	1989 1	1990 2	1991 3	1992 4	1993 5	1994 6	1995 7	1996 8	1997 9	1998 10	1999
INCOME													
GROSS RENT			3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	4,594,614	4,594,614	4,594,614	4,594,614	4,594,614	5,864,021
VAC. RESERVE			720,000	90,000	90,000	90,000	90,000	114,865	114,865	114,865	114,865	114,865	146,601
GROSS INCOME			2,880,000	3,510,000	3,510,000	3,510,000	3,510,000	4,479,748	4,479,748	4,479,748	4,479,748	4,479,748	5,717,420
EXPENSES													
OPER EXP.(LL)			400,000	400,000	400,000	400,000	400,000	510,513	510,513	510,513	510,513	510,513	651,558
RE TAXES			300,000	300,000	300,000	300,000	300,000	382,884	382,884	382,884	382,884	382,884	488,668
MANAGEMENT EXPENSES			144,000	175,500	175,500	175,500	175,500	223,987	223,987	223,987	223,987	223,987	285,871
TOT EXPENSES			844,000	875,500	875,500	875,500	875,500	1,117,385	1,117,385	1,117,385	1,117,385	1,117,385	1,426,097
NET OPERATING INCOME			2,036,000	2,634,500	2,634,500	2,634,500	2,634,500	3,362,364	3,362,364	3,362,364	3,362,364	3,362,364	4,291,323
CAP RATE													
DEBT SERVICE			1,835,888	1,835,888	1,835,888	1,835,888	1,835,888	1,835,888	1,835,888	1,835,888	1,835,888	1,835,888	
BEFORE TAX CASH FLOW			200,112	798,612	798,612	798,612	798,612	1,526,476	1,526,476	1,526,476	1,526,476	1,526,476	
(+) DEFICIT	0	0	0	0	0	0	0	0	0	0	0	0	
CASH FLOW			200,112	798,612	798,612	798,612	798,612	1,526,476	1,526,476	1,526,476	1,526,476	1,526,476	
LIMITED PARTNERS CASH													
PRIORITY			200,112	201,851	201,851	201,851	201,851	201,851	201,851	201,851	201,851	201,851	
EXCESS			0	298,381	298,381	298,381	298,381	662,313	662,313	662,313	662,313	662,313	
SALE PROCEED												10,784,793	
TOTAL LP CASH	(2,018,506)		200,112	500,231	500,231	500,231	500,231	864,163	864,163	864,163	864,163	11,648,956	
ACCUMULATED CASH			200,112	700,343	1,200,575	1,700,806	2,201,037	3,065,200	3,929,364	4,793,527	5,657,690	17,306,646	

NPV	3,598,968	DISCOUNTED AT	12.00%									
% ROI	-100.00%	0.00%	9.91%	24.78%	24.78%	24.78%	24.78%	42.81%	42.81%	42.81%	42.81%	577.11%
% IRR	27.99%											
EQUITY OTSTG	2,018,506	2,018,506	2,018,506	2,018,506	2,018,506	2,018,506	2,018,506	2,018,506	2,018,506	2,018,506	2,018,506	2,018,506
LIMITED PARTNER OCCUPANCY COST BT												
-F AND F		1,200,000										
-TENANT FIT UP		3,000,000										
+CASH FROM PAR	(2,018,506)	0	200,112	500,231	500,231	500,231	500,231	864,163	864,163	864,163	864,163	11,648,956
-RELOCATION EXP.		962,000										
-RENT PAID	867,000	950,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	2,297,307	2,297,307	2,297,307	2,297,307	2,297,307
-MOVING EXPENSE		250,000										
+LEASE SELLOUT			505,000	505,000	505,000	476,000	455,000	455,000	455,000	455,000	455,000	425,500
COST OF OCCUPANCY	(2,885,506)	(6,362,000)	(1,094,888)	(794,769)	(794,769)	(823,769)	(844,769)	(978,144)	(978,144)	(978,144)	(978,144)	9,777,149
ACCUM CASH SPENT	(2,885,506)	(9,247,506)	(10,342,394)	(11,137,163)	(11,931,932)	(12,755,700)	(13,600,469)	(14,578,613)	(15,556,756)	(16,534,900)	(17,513,043)	(7,735,894)
NPV	(9,017,315)	DISCOUNTED AT	12.00%									
%IRR	-7.66%											
%ROI	-142.95%	-315.18%	-54.24%	-39.37%	-39.37%	-40.81%	-41.85%	-48.46%	-48.46%	-48.46%	-48.46%	484.38%
DEVELOPER CASH												
PRIORITY												
EXCESS			0	298,381	298,381	298,381	298,381	662,313	662,313	662,313	662,313	662,313
SALE PROCEED												10,784,793
TOTAL DEVELOPER CASH			0	298,381	298,381	298,381	298,381	662,313	662,313	662,313	662,313	11,447,106
ACCUM DEV CASH	0	0	0	298,381	596,761	895,142	1,193,523	1,855,835	2,518,148	3,180,461	3,842,773	15,289,879
%ROI												
% IRR												
NPV	4,493,243	DISCOUNTED AT	12.00%									

AFTER TAX ANALYSIS

YEAR	1987	1988	1989 1	1990 2	1991 3	1992 4	1993 5	1994 6	1995 7	1996 8	1997 9	1998 10	1999
BEFORE TAX CASH FLOW	0	0	200,112	798,612	798,612	798,612	798,612	1,526,476	1,526,476	1,526,476	1,526,476	1,526,476	
NON-CASH EXPENSES													
ONE YEAR			546,503										
FIVE YEAR			738,000	738,000	738,000	738,000	738,000						
TEN YEAR													
EIGHTEEN YEAR			841,497	841,497	841,497	841,497	841,497	841,497	841,497	841,497	841,497	841,497	
TOT NON-TAX EXP			2,125,999	1,579,497	1,579,497	1,579,497	1,579,497	841,497	841,497	841,497	841,497	841,497	
TAXABLE INCOME	0	0	(1,925,887)	(780,885)	(780,885)	(780,885)	(780,885)	684,979	684,979	684,979	684,979	684,979	
LP TAXABLE INCOME FROM PARTNERSHIP (LOSSES)													
PRIORITY			(201,851)	(201,851)	(201,851)	(201,851)	(201,851)	0	0	0	0	0	
TAX EXCESS			(862,018)	(289,517)	(289,517)	(289,517)	(289,517)	342,490	342,490	342,490	342,490	342,490	
TOT LP TAX. INCOME			(1,063,869)	(491,368)	(491,368)	(491,368)	(491,368)	342,490	342,490	342,490	342,490	342,490	
ACCUM LP LOSS			(1,063,869)	(1,555,237)	(2,046,604)	(2,537,972)	(3,029,340)	(2,686,850)	(2,344,360)	(2,001,871)	(1,659,381)	(1,316,892)	
DEVELOPER TAXABLE INCOME (LOSSES)													
PRIORITY													
TAX EXCESS			(862,018)	(289,517)	(289,517)	(289,517)	(289,517)	342,490	342,490	342,490	342,490	342,490	
TOT DEV TAX. INCOME			(862,018)	(289,517)	(289,517)	(289,517)	(289,517)	342,490	342,490	342,490	342,490	342,490	
ACCUM DEV LOSS			(862,018)	(1,151,535)	(1,441,052)	(1,730,569)	(2,020,087)	(1,677,597)	(1,335,107)	(992,618)	(650,128)	(307,639)	

LP AFTER-TAX BENEFITS

BENEFIT			531,935	245,684	245,684	245,684	245,684	(171,245)	(171,245)	(171,245)	(171,245)	(171,245)
CASH			200,112	500,231	500,231	500,231	500,231	864,163	864,163	864,163	864,163	864,163
SALE PROCEED												9,078,592
TOT AFTER-TAX RETURN	(2,018,506)		732,047	745,915	745,915	745,915	745,915	692,918	692,918	692,918	692,918	9,771,510
LP % ROI			36.27%	36.95%	36.95%	36.95%	36.95%	34.33%	34.33%	34.33%	34.33%	484.10%
%IRR	32.39%											
NPV	1,455,564	DISCOUNTED AT	20.00%									

LIMITED PARTNER AFTER TAX TOTAL OCCUPANCY COST

-MOVING COST		250,000										
+MOVING COST BENEFIT		125,000										
+PTNSP AT RETU	(2,018,506)	0	732,047	745,915	745,915	745,915	745,915	692,918	692,918	692,918	692,918	9,771,510
-RENT	867,000	950,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	2,297,307	2,297,307	2,297,307	2,297,307	2,297,307
+RENT BENEFIT	433,500	475,000	900,000	900,000	900,000	900,000	900,000	1,148,653	1,148,653	1,148,653	1,148,653	1,148,653
-TENANT FIT UP		3,000,000										
+FIT UP BENEFIT			300,000	300,000	300,000	300,000	300,000					
+LEASE SELLOUT			505,000	505,000	505,000	476,000	455,000	455,000	455,000	455,000	455,000	425,500
-TAX ON SELLOUT			252,500	252,500	252,500	238,000	227,500	227,500	227,500	227,500	227,500	212,750
-RELOCATION COST		962,000										
+RELOCATION BENEFIT		481,000										
-F AND F COST		1,200,000										
+F AND F BENEFIT			120,000	120,000	120,000	120,000	120,000					
TOTAL LP AFTER TAX OCCUPANCY COST	(2,452,006)	(5,281,000)	504,547	518,415	518,415	503,915	493,415	(228,235)	(228,235)	(228,235)	(228,235)	8,835,607
accum occupancy cost	(2,452,006)	(7,733,006)	(7,228,460)	(6,710,045)	(6,191,629)	(5,687,714)	(5,194,299)	(5,422,534)	(5,650,769)	(5,879,004)	(6,107,239)	2,728,368
NPV	(3,827,827)	DISCOUNTED AT	20.00%									
IRR	3.55%											
ROI	-121.48%	-261.63%	25.00%	25.68%	25.68%	24.96%	24.44%	-11.31%	-11.31%	-11.31%	-11.31%	437.73%

DEVELOPER AFTER-TAX BENEFITS

BENEFIT	0	0	431,009	144,759	144,759	144,759	144,759	(171,245)	(171,245)	(171,245)	(171,245)	(171,245)
CASH	0	0	0	298,381	298,381	298,381	298,381	662,313	662,313	662,313	662,313	662,313
SALE PROCEED												7,665,290
TOTAL AFTER TAX RETURN	0	0	431,009	443,139	443,139	443,139	443,139	491,068	491,068	491,068	491,068	8,156,357

NPV 2,182,869 DISCOUNTED AT 20.00%

SALE SCENARIO

NOI	4,291,323
CAP RATE	10.00%
SALES PRICE	42,913,229
MINUS UNPD MORT	19,325,137
MINUS EQ OUTSTG	2,018,506
NET SALES PROCEEDS	21,569,586

AFTER TAX SALE SCENARIOS

DEVELOPER		LIMITED PARTNER
0	BEGINNING CAPITAL	2,018,506
307,639	-LOSSES	1,316,892
4,505,086	-CASH	6,521,853
(4,812,724)	CAPITAL BALANCE	(5,820,239)
10,784,793	-SHARE OF SALE PROCEEDS	12,803,299
(15,597,517)	CAPITAL BALANCE AT SALE	(18,623,538)
20.00%	CAPITAL GAINS RATE	20.00%
3,119,503	TAX DUE ON SALE	3,724,708
10,784,793	SALES PROCEEDS	12,803,299
7,665,290	AFTER TAX PROCEEDS	9,078,592

PARTITION ANALYSIS OF RETURNS

OCCUPANCY COSTS**********	(867,000)	(6,362,000)	(1,295,000)	(1,295,000)	(1,295,000)	(1,324,000)	(1,345,000)	(1,842,307)	(1,842,307)	(1,842,307)	(1,842,307)	(1,871,807)
NPV (9,394,640) DISCOUNTED AT		20.00%										
CASH**********	(2,018,506)	0	200,112	500,231	500,231	500,231	500,231	864,163	864,163	864,163	864,163	864,163
NPV (95,629) DISCOUNTED AT		20.00%										
TAX BENEFITS**********	433,500	1,081,000	1,599,435	1,313,184	1,313,184	1,327,684	1,338,184	749,909	749,909	749,909	749,909	764,659
NPV 4,644,217 DISCOUNTED AT		20.00%										
RESIDUAL**********	0	0	0	0	0	0	0	0	0	0	0	9,078,592
NPV 1,018,224 DISCOUNTED AT		20.00%										
TOTAL RETURNS **********	(2,452,006)	(5,281,000)	504,547	518,415	518,415	503,915	493,415	(228,235)	(228,235)	(228,235)	(228,235)	8,835,607
NPV (3,827,827) DISCOUNTED AT		20.00%										

SENSITIVITY ANALYSIS JOINT VENTURE 2

BUILDING COST	BT NPV +C146	AT NPV +C267
18,186,555	(8,194,541)	(3,496,661)
20,185,062	(9,017,315)	(3,827,827)
22,203,568	(9,911,990)	(4,215,187)

RENT RATE OF SPEC PART

	+C146	+C267
16.20	(9,761,420)	(4,090,917)
18.00	(9,017,315)	(3,827,827)
19.80	(8,308,038)	(3,591,956)

VACANCY RATE

	+C146	+C267
2.00%	(8,801,239)	(3,757,464)
5.00%	(9,017,315)	(3,827,827)
10.00%	(9,377,441)	(3,945,099)

INCOME TAX RATE

+C267	38.00%	20.00%
38.00%	(5,318,415)	(4,942,439)
50.00%	(4,203,803)	(3,827,827)

INFLATION RATE

	+C146	+C267
2.00%	(10,267,656)	(4,277,600)
5.00%	(9,017,315)	(3,827,827)
10.00%	(6,018,211)	(2,754,800)

PROJECT COST ESTIMATE

JOINT VENTURE 3		TOTAL COST	COST PER SF	SF	YRS DEPRCN	DPRCN/YR
LAND		$914,760	3.50	261,360	0	0
IMPROVEMENTS						
BUILDING		$5,500,000	55.00	100,000	18	305,556
SITE		$522,720	2.00	261,360	18	29,040
OFF SITE IMP		$200,000			18	11,111
TENANT IMP (LL)		$1,710,000	18.00	95,000	5	342,000
	TOTAL IMP	$7,932,720				
SOFT COSTS						
ARCH & ENG		$237,982 (3% OF IMPROVEMENTS)			18	13,221
LEGAL		$60,000			18	3,333
DEVELOPMENT FEE		$158,654 (2% OF IMPROVEMENTS)			18	8,814
TAX DURING CONST		$25,000	0.25	100,000	1	25,000
LEASE COMM		$0 (15% FULL YR ON SPEC PART)			5	0
OPER EXP BEF OCC		$50,000	0.50	100,000	1	50,000
	TOTAL SOFT	$531,636				
	SUB TOT	9,379,116				
	CONTINGENCY	937,912			18	52,106
	CONST COST	10,317,028				
	EQUITY IN	1,031,703				
	CONST LN AMT	9,285,325				
	CONST LN INT	394,626			18	21,924
	POINTS PERM LN	197,550			1	197,550
	PERM LN AMT	9,877,501				

Smart Corporation Building
Projected Total Occupancy Cost
JOINT VENTURE 3
50/50 OWNERSHIP ON 100,000 SF BUILDING ON OPTIONED SITE

100,000	SF	BUILDING SQUARE FEET
0.10	CAP	CAP RATE
0.20	CGTAX	CAPITAL GAINS TAX
10,317,028	CONSTCST	CONSTRUCTION COST
0.085	CLNINT	CONSTRUCTION LOAN INTEREST
158,654	DEVFEE	DEVELOPER FEE
1,031,703	EQUITY	EQUITY AMOUNT
0.05	INF	INFLATION RATE (ANNUAL)
0.10	LPPRIOR	LIMITED PARTNER PRIORITY DISTRIBUTION
0.50	LPPROEX	LIMITED PARTNER PROPORTION OF EXCESS
9,877,501	MORT	PERMANENT LOAN AMOUNT
0.12	NPVGP	NPV DISCOUNT RATE GENERAL PARTNER before tax
0.12	NPVLP	NPV DISCOUNT RATE LIMITED PARTNER before tax
2.00	OPEX	OPERATING EXPENSE PER SF
0.50	ORDTAX	ORDINARY INCOME TAX RATE
0.095	PLINT	PERMANENT LOAN INTEREST
14.00	RENTLP	RENT RATE LIMITED PARTNER
14.00	RENTM	RENT RATE MARKET
100,000	LPSP	SPACE OCCUPIED BY LIMITED PARTNER
1.00	RETAX	REAL ESTATE TAX RATE PER SF
0.05	VAC	VACANCY RATE FOR SPEC PART
0.10	PE	EQUITY REQUIRED
0.05	MGFEE	MANAGEMENT FEE
15.00	LPM	LENGTH OF PERM MORTGAGE
0.20	NPVGA	NPV DISCOUNT RATE GENERAL PARTNER (after tax)
0.20	NPVLA	NPV DISCOUNT RATE LIMITED PARTNER (after tax)
0.02	PPTS	POINTS ON PERMANENT LOAN
30.00	FIT	TENANT FIT UP PER SF (cost to Smart Corp.)
12.00	FF	F AND F COST PER SF
250,000	MOV	MOVING COST
0.400	FYV	FIRST YEAR VACANCY RATE FOR SPEC PART
962,000	REL	RELOCATION COSTS

YEAR	1987 Const	1988 Lease	1989 1	1990 2	1991 3	1992 4	1993 5	1994 6	1995 7	1996 8	1997 9	1998 10	1999
INCOME													
GROSS RENT			1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,786,794	1,786,794	1,786,794	1,786,794	1,786,794	2,280,452
VAC. RESERVE			0	0	0	0	0	0	0	0	0	0	0
GROSS INCOME			1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,786,794	1,786,794	1,786,794	1,786,794	1,786,794	2,280,452
EXPENSES													
OPER EXP.(LL)			200,000	200,000	200,000	200,000	200,000	255,256	255,256	255,256	255,256	255,256	325,779
RE TAXES			100,000	100,000	100,000	100,000	100,000	127,628	127,628	127,628	127,628	127,628	162,889
MANAGEMENT EXPENSES			70,000	70,000	70,000	70,000	70,000	89,340	89,340	89,340	89,340	89,340	114,023
TOT EXPENSES			370,000	370,000	370,000	370,000	370,000	472,224	472,224	472,224	472,224	472,224	602,691
NET OPERATING INCOME			1,030,000	1,030,000	1,030,000	1,030,000	1,030,000	1,314,570	1,314,570	1,314,570	1,314,570	1,314,570	1,677,761
CAP RATE													
DEBT SERVICE			938,363	938,363	938,363	938,363	938,363	938,363	938,363	938,363	938,363	938,363	
BEFORE TAX CASH FLOW			91,637	91,637	91,637	91,637	91,637	376,207	376,207	376,207	376,207	376,207	
(+) DEFICIT	0	0	0	0	0	0	0	0	0	0	0	0	
CASH FLOW			91,637	91,637	91,637	91,637	91,637	376,207	376,207	376,207	376,207	376,207	
LIMITED PARTNERS CASH													
PRIORITY			91,637	91,637	91,637	91,637	91,637	103,170	103,170	103,170	103,170	103,170	
EXCESS			0	0	0	0	0	136,519	136,519	136,519	136,519	136,519	
SALE PROCEED												2,934,205	
TOTAL LP CASH	(1,031,703)		91,637	91,637	91,637	91,637	91,637	239,689	239,689	239,689	239,689	3,173,894	
ACCUMULATED CASH			91,637	183,275	274,912	366,550	458,187	697,876	937,565	1,177,253	1,416,942	4,590,836	

NPV	486,154	DISCOUNTED AT	12.00%									
% ROI	-100.00%	0.00%	8.88%	8.88%	8.88%	8.88%	8.88%	23.23%	23.23%	23.23%	23.23%	307.64%
% IRR	17.51%											
EQUITY OTSTG	1,031,703	1,031,703	1,031,703	1,031,703	1,031,703	1,031,703	1,031,703	1,031,703	1,031,703	1,031,703	1,031,703	1,031,703
LIMITED PARTNER OCCUPANCY COST BT												
-F AND F		1,200,000										
-TENANT FIT UP		3,000,000										
+CASH FROM PAR	(1,031,703)	0	91,637	91,637	91,637	91,637	91,637	239,689	239,689	239,689	239,689	3,173,894
-RELOCATION EXP.		962,000										
-RENT PAID	867,000	950,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,786,794	1,786,794	1,786,794	1,786,794	1,786,794
-MOVING EXPENSE		250,000										
+LEASE SELLOUT			505,000	505,000	505,000	476,000	455,000	455,000	455,000	455,000	455,000	425,500
COST OF OCCUPANCY	(1,898,703)	(6,362,000)	(803,363)	(803,363)	(803,363)	(832,363)	(853,363)	(1,092,105)	(1,092,105)	(1,092,105)	(1,092,105)	1,812,600
ACCUM CASH SPENT	(1,898,703)	(8,260,703)	(9,064,065)	(9,867,428)	(10,670,791)	(11,503,153)	(12,356,516)	(13,448,621)	(14,540,727)	(15,632,832)	(16,724,937)	(14,912,337)
NPV	(10,148,196)	DISCOUNTED AT	12.00%									
%IRR	-37.37%											
%ROI	-184.04%	-616.65%	-77.87%	-77.87%	-77.87%	-80.68%	-82.71%	-105.85%	-105.85%	-105.85%	-105.85%	175.69%
DEVELOPER CASH												
PRIORITY												
EXCESS			0	0	0	0	0	136,519	136,519	136,519	136,519	136,519
SALE PROCEED												2,934,205
TOTAL DEVELOPER CASH			0	0	0	0	0	136,519	136,519	136,519	136,519	3,070,724
ACCUM DEV CASH	0	0	0	0	0	0	0	136,519	273,037	409,556	546,074	3,616,798
%ROI												
% IRR												
NPV	975,747	DISCOUNTED AT	12.00%									

AFTER TAX ANALYSIS

YEAR	1987	1988	1989 1	1990 2	1991 3	1992 4	1993 5	1994 6	1995 7	1996 8	1997 9	1998 10	1999
BEFORE TAX CASH FLOW	0	0	91,637	91,637	91,637	91,637	91,637	376,207	376,207	376,207	376,207	376,207	
NON-CASH EXPENSES													
ONE YEAR			272,550										
FIVE YEAR			342,000	342,000	342,000	342,000	342,000						
TEN YEAR													
EIGHTEEN YEAR			445,105	445,105	445,105	445,105	445,105	445,105	445,105	445,105	445,105	445,105	
TOT NON-TAX EXP			1,059,655	787,105	787,105	787,105	787,105	445,105	445,105	445,105	445,105	445,105	
TAXABLE INCOME	0	0	(968,018)	(695,468)	(695,468)	(695,468)	(695,468)	(68,898)	(68,898)	(68,898)	(68,898)	(68,898)	
LP TAXABLE INCOME FROM PARTNERSHIP (LOSSES)													
PRIORITY			(103,170)	(103,170)	(103,170)	(103,170)	(103,170)	0	0	0	0	0	
TAX EXCESS			(432,424)	(296,149)	(296,149)	(296,149)	(296,149)	(34,449)	(34,449)	(34,449)	(34,449)	(34,449)	
TOT LP TAX. INCOME			(535,594)	(399,319)	(399,319)	(399,319)	(399,319)	(34,449)	(34,449)	(34,449)	(34,449)	(34,449)	
ACCUM LP LOSS			(535,594)	(934,913)	(1,334,232)	(1,733,551)	(2,132,870)	(2,167,319)	(2,201,768)	(2,236,217)	(2,270,666)	(2,305,115)	
DEVELOPER TAXABLE INCOME (LOSSES)													
PRIORITY													
TAX EXCESS			(432,424)	(296,149)	(296,149)	(296,149)	(296,149)	(34,449)	(34,449)	(34,449)	(34,449)	(34,449)	
TOT DEV TAX. INCOME			(432,424)	(296,149)	(296,149)	(296,149)	(296,149)	(34,449)	(34,449)	(34,449)	(34,449)	(34,449)	
ACCUM DEV LOSS			(432,424)	(728,573)	(1,024,721)	(1,320,870)	(1,617,019)	(1,651,468)	(1,685,917)	(1,720,366)	(1,754,815)	(1,789,263)	

LP AFTER-TAX BENEFITS

	BENEFIT			267,797	199,660	199,660	199,660	199,660	17,224	17,224	17,224	17,224	17,224
	CASH			91,637	91,637	91,637	91,637	91,637	239,689	239,689	239,689	239,689	239,689
	SALE PROCEED												2,586,718
TOT AFTER-TAX RETURN		(1,031,703)		359,434	291,297	291,297	291,297	291,297	256,913	256,913	256,913	256,913	2,843,631
	LP % ROI			34.84%	28.23%	28.23%	28.23%	28.23%	24.90%	24.90%	24.90%	24.90%	275.63%
	%IRR	25.86%											
	NPV	289,193	DISCOUNTED AT	20.00%									

LIMITED PARTNER AFTER TAX TOTAL OCCUPANCY COST

-MOVING COST		250,000									
+MOVING COST BENEFIT		125,000									
+PTNSP AT RETU	(1,031,703)	0	359,434	291,297	291,297	291,297	291,297	256,913	256,913	256,913	256,913	2,843,631
-RENT	867,000	950,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,786,794	1,786,794	1,786,794	1,786,794	1,786,794
+RENT BENEFIT	433,500	475,000	700,000	700,000	700,000	700,000	700,000	893,397	893,397	893,397	893,397	893,397
-TENANT FIT UP		3,000,000										
+FIT UP BENEFIT			300,000	300,000	300,000	300,000	300,000					
+LEASE SELLOUT			505,000	505,000	505,000	476,000	455,000	455,000	455,000	455,000	455,000	425,500
-TAX ON SELLOUT			252,500	252,500	252,500	238,000	227,500	227,500	227,500	227,500	227,500	212,750
-RELOCATION COST		962,000										
+RELOCATION BENEFIT		481,000										
-F AND F COST		1,200,000										
+F AND F BENEFIT			120,000	120,000	120,000	120,000	120,000					
TOTAL LP AFTER TAX OCCUPANCY COST	(1,465,203)	(5,281,000)	331,934	263,797	263,797	249,297	238,797	(408,984)	(408,984)	(408,984)	(408,984)	2,162,984
accum occupancy cost	(1,465,203)	(6,746,203)	(6,414,268)	(6,150,471)	(5,886,675)	(5,637,378)	(5,398,581)	(5,807,564)	(6,216,548)	(6,625,532)	(7,034,516)	(4,871,532)
NPV	(4,365,793)	DISCOUNTED AT	20.00%									
IRR	-13.72%											
ROI	-142.02%	-511.87%	32.17%	25.57%	25.57%	24.16%	23.15%	-39.64%	-39.64%	-39.64%	-39.64%	209.65%

DEVELOPER AFTER-TAX BENEFITS

BENEFIT	0	0	216,212	148,074	148,074	148,074	148,074	17,224	17,224	17,224	17,224	17,224
CASH	0	0	0	0	0	0	0	136,519	136,519	136,519	136,519	136,519
SALE PROCEED												1,852,993
TOTAL AFTER TAX RETURN	0	0	216,212	148,074	148,074	148,074	148,074	153,743	153,743	153,743	153,743	2,006,736

NPV 683,098 DISCOUNTED AT 20.00%

SALE SCENARIO

NOI	1,677,761
CAP RATE	10.00%
SALES PRICE	16,777,615
MINUS UNPD MORT	9,877,501
MINUS EQ OUTSTG	1,031,703
NET SALES PROCEEDS	5,868,411

AFTER TAX SALE SCENARIOS

DEVELOPER		LIMITED PARTNER
0	BEGINNING CAPITAL	1,031,703
1,789,263	-LOSSES	2,305,115
682,593	-CASH	1,656,631
(2,471,856)	CAPITAL BALANCE	(2,930,043)
2,934,205	-SHARE OF SALE PROCEEDS	3,965,908
(5,406,062)	CAPITAL BALANCE AT SALE	(6,895,951)
20.00%	CAPITAL GAINS RATE	20.00%
1,081,212	TAX DUE ON SALE	1,379,190
2,934,205	SALES PROCEEDS	3,965,908
1,852,993	AFTER TAX PROCEEDS	2,586,718

PARTITION ANALYSIS OF RETURNS

OCCUPANCY COSTS**********	(867,000)	(6,362,000)	(895,000)	(895,000)	(895,000)	(924,000)	(945,000)	(1,331,794)	(1,331,794)	(1,331,794)	(1,331,794)	(1,361,294)
NPV (8,137,827) DISCOUNTED AT		20.00%										
CASH**********	(1,031,703)	0	91,637	91,637	91,637	91,637	91,637	239,689	239,689	239,689	239,689	239,689
NPV (469,388) DISCOUNTED AT		20.00%										
TAX BENEFITS**********	433,500	1,081,000	1,135,297	1,067,160	1,067,160	1,081,660	1,092,160	683,122	683,122	683,122	683,122	697,872
NPV 3,951,305 DISCOUNTED AT		20.00%										
RESIDUAL**********	0	0	0	0	0	0	0	0	0	0	0	2,586,718
NPV 290,118 DISCOUNTED AT		20.00%										
TOTAL RETURNS **********	(1,465,203)	(5,281,000)	331,934	263,797	263,797	249,297	238,797	(408,984)	(408,984)	(408,984)	(408,984)	2,162,984
NPV (4,365,793) DISCOUNTED AT		20.00%										

SENSITIVITY ANALYSIS JOINT VENTURE 3

BUILDING COST	BT NPV +C146	AT NPV +C267
9,285,325	(9,711,404)	(4,185,444)
10,317,028	(10,148,196)	(4,365,793)
11,348,731	(10,711,751)	(4,615,489)

RENT RATE OF SPEC PART

	+C146	+C267
12.60	(10,148,196)	(4,365,793)
14.00	(10,148,196)	(4,365,793)
15.40	(10,148,196)	(4,365,793)

VACANCY RATE

	+C146	+C267
2.00%	(10,148,196)	(4,365,793)
5.00%	(10,148,196)	(4,365,793)
10.00%	(10,148,196)	(4,365,793)

INCOME TAX RATE

+C267	38.00%	20.00%
38.00%	(5,453,323)	(5,314,106)
50.00%	(4,505,010)	(4,365,793)

INFLATION RATE

	+C146	+C267
2.00%	(10,441,531)	(4,475,863)
5.00%	(10,148,196)	(4,365,793)
10.00%	(9,355,110)	(4,043,388)

PROJECT COST ESTIMATE

JOINT VENTURE 4		TOTAL COST	COST PER SF	SF	YRS DEPRCN	DPRCN/YR
LAND		$1,960,200	7.50	261,360	0	0
IMPROVEMENTS						
BUILDING		$5,500,000	55.00	100,000	18	305,556
SITE		$522,720	2.00	261,360	18	29,040
OFF SITE IMP		$200,000			18	11,111
TENANT IMP (LL)		$1,710,000	18.00	95,000	5	342,000
	TOTAL IMP	$7,932,720				
SOFT COSTS						
ARCH & ENG		$237,982 (3% OF IMPROVEMENTS)			18	13,221
LEGAL		$60,000			18	3,333
DEVELOPMENT FEE		$158,654 (2% OF IMPROVEMENTS)			18	8,814
TAX DURING CONST		$30,000	0.30	100,000	1	30,000
LEASE COMM		$0 (15% FULL YR ON SPEC PART)			5	0
OPER EXP BEF OCC		$50,000	0.50	100,000	1	50,000
	TOTAL SOFT	$536,636				
	SUB TOT	10,429,556				
	CONTINGENCY	1,042,956			18	57,942
	CONST COST	11,472,512				
	EQUITY IN	1,147,251				
	CONST LN AMT	10,325,260				
	CONST LN INT	438,824			18	24,379
	POINTS PERM LN	219,675			1	219,675
	PERM LN AMT	10,983,759				

Smart Corporation Building
Projected Total Occupancy Cost
JOINT VENTURE 4
50/50 OWNERSHIP ON 100,000 SF BUILDING IN OFFICE PARK

100,000	SF	BUILDING SQUARE FEET
0.10	CAP	CAP RATE
0.20	CGTAX	CAPITAL GAINS TAX
11,472,512	CONSTCST	CONSTRUCTION COST
0.085	CLNINT	CONSTRUCTION LOAN INTEREST
158.654	DEVFEE	DEVELOPER FEE
1,147,251	EQUITY	EQUITY AMOUNT
0.05	INF	INFLATION RATE (ANNUAL)
0.10	LPPRIOR	LIMITED PARTNER PRIORITY DISTRIBUTION
0.50	LPPROEX	LIMITED PARTNER PROPORTION OF EXCESS
10,983,759	MORT	PERMANENT LOAN AMOUNT
0.12	NPVGP	NPV DISCOUNT RATE GENERAL PARTNER before tax
0.12	NPVLP	NPV DISCOUNT RATE LIMITED PARTNER before tax
2.00	OPEX	OPERATING EXPENSE PER SF
0.50	ORDTAX	ORDINARY INCOME TAX RATE
0.095	PLINT	PERMANENT LOAN INTEREST
18.00	RENTLP	RENT RATE LIMITED PARTNER
18.00	RENTM	RENT RATE MARKET
100,000	LPSP	SPACE OCCUPIED BY LIMITED PARTNER
1.50	RETAX	REAL ESTATE TAX RATE PER SF
0.05	VAC	VACANCY RATE FOR SPEC PART
0.10	PE	EQUITY REQUIRED
0.05	MGFEE	MANAGEMENT FEE
15.00	LPM	LENGTH OF PERM MORTGAGE
0.20	NPVGA	NPV DISCOUNT RATE GENERAL PARTNER (after tax)
0.20	NPVLA	NPV DISCOUNT RATE LIMITED PARTNER (after tax)
0.02	PPTS	POINTS ON PERMANENT LOAN
30.00	FIT	TENANT FIT UP PER SF (cost to Smart Corp.)
12.00	FF	F AND F COST PER SF
250,000	MOV	MOVING COST
0.400	FYV	FIRST YEAR VACANCY RATE FOR SPEC PART
962,000	REL	RELOCATION COSTS

YEAR	1987 Const	1988 Lease	1989 1	1990 2	1991 3	1992 4	1993 5	1994 6	1995 7	1996 8	1997 9	1998 10	1999
INCOME													
GROSS RENT			1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	2,297,307	2,297,307	2,297,307	2,297,307	2,297,307	2,932,010
VAC. RESERVE			0	0	0	0	0	0	0	0	0	0	0
GROSS INCOME			1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	2,297,307	2,297,307	2,297,307	2,297,307	2,297,307	2,932,010
EXPENSES													
OPER EXP.(LL)			200,000	200,000	200,000	200,000	200,000	255,256	255,256	255,256	255,256	255,256	325,779
RE TAXES			150,000	150,000	150,000	150,000	150,000	191,442	191,442	191,442	191,442	191,442	244,334
MANAGEMENT EXPENSES			90,000	90,000	90,000	90,000	90,000	114,865	114,865	114,865	114,865	114,865	146,601
TOT EXPENSES			440,000	440,000	440,000	440,000	440,000	561,564	561,564	561,564	561,564	561,564	716,714
NET OPERATING INCOME			1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,735,743	1,735,743	1,735,743	1,735,743	1,735,743	2,215,297
CAP RATE													
DEBT SERVICE			1,043,457	1,043,457	1,043,457	1,043,457	1,043,457	1,043,457	1,043,457	1,043,457	1,043,457	1,043,457	
BEFORE TAX CASH FLOW			316,543	316,543	316,543	316,543	316,543	692,286	692,286	692,286	692,286	692,286	
(+) DEFICIT	0	0	0	0	0	0	0	0	0	0	0	0	
CASH FLOW			316,543	316,543	316,543	316,543	316,543	692,286	692,286	692,286	692,286	692,286	
LIMITED PARTNERS CASH													
PRIORITY			114,725	114,725	114,725	114,725	114,725	114,725	114,725	114,725	114,725	114,725	
EXCESS			100,909	100,909	100,909	100,909	100,909	288,780	288,780	288,780	288,780	288,780	
SALE PROCEED												5,010,978	
TOTAL LP CASH	(1,147,251)		215,634	215,634	215,634	215,634	215,634	403,505	403,505	403,505	403,505	5,414,484	
ACCUMULATED CASH			215,634	431,268	646,902	862,536	1,078,170	1,481,675	1,885,181	2,288,686	2,692,192	8,106,676	

NPV	1,539,494	DISCOUNTED AT	12.00%									
% ROI	-100.00%	0.00%	18.80%	18.80%	18.80%	18.80%	18.80%	35.17%	35.17%	35.17%	35.17%	471.95%
% IRR	25.46%											
EQUITY OTSTG	1,147,251	1,147,251	1,147,251	1,147,251	1,147,251	1,147,251	1,147,251	1,147,251	1,147,251	1,147,251	1,147,251	1,147,251
LIMITED PARTNER OCCUPANCY COST BT												
-F AND F		1,200,000										
-TENANT FIT UP		3,000,000										
+CASH FROM PAR	(1,147,251)	0	215,634	215,634	215,634	215,634	215,634	403,505	403,505	403,505	403,505	5,414,484
-RELOCATION EXP.		962,000										
-RENT PAID	867,000	950,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	2,297,307	2,297,307	2,297,307	2,297,307	2,297,307
-MOVING EXPENSE		250,000										
+LEASE SELLOUT			505,000	505,000	505,000	476,000	455,000	455,000	455,000	455,000	455,000	425,500
COST OF OCCUPANCY	(2,014,251)	(6,362,000)	(1,079,366)	(1,079,366)	(1,079,366)	(1,108,366)	(1,129,366)	(1,438,801)	(1,438,801)	(1,438,801)	(1,438,801)	3,542,677
ACCUM CASH SPENT	(2,014,251)	(8,376,251)	(9,455,617)	(10,534,983)	(11,614,349)	(12,722,715)	(13,852,081)	(15,290,883)	(16,729,684)	(18,168,485)	(19,607,287)	(16,064,610)
NPV	(11,076,789)	DISCOUNTED AT	12.00%									
%IRR	-28.41%											
%ROI	-175.57%	-554.54%	-94.08%	-94.08%	-94.08%	-96.61%	-98.44%	-125.41%	-125.41%	-125.41%	-125.41%	308.80%
DEVELOPER CASH												
PRIORITY												
EXCESS			100,909	100,909	100,909	100,909	100,909	288,780	288,780	288,780	288,780	288,780
SALE PROCEED												5,010,978
TOTAL DEVELOPER CASH			100,909	100,909	100,909	100,909	100,909	288,780	288,780	288,780	288,780	5,299,759
ACCUM DEV CASH	0	0	100,909	201,818	302,727	403,636	504,544	793,325	1,082,105	1,370,885	1,659,666	6,959,424
%ROI												
% IRR												
NPV	2,047,066	DISCOUNTED AT	12.00%									

AFTER TAX ANALYSIS

YEAR	1987	1988	1989 1	1990 2	1991 3	1992 4	1993 5	1994 6	1995 7	1996 8	1997 9	1998 10	1999
BEFORE TAX CASH FLOW	0	0	316,543	316,543	316,543	316,543	316,543	692,286	692,286	692,286	692,286	692,286	
NON-CASH EXPENSES													
ONE YEAR			299,675										
FIVE YEAR			342,000	342,000	342,000	342,000	342,000						
TEN YEAR													
EIGHTEEN YEAR			453,396	453,396	453,396	453,396	453,396	453,396	453,396	453,396	453,396	453,396	
TOT NON-TAX EXP			1,095,072	795,396	795,396	795,396	795,396	453,396	453,396	453,396	453,396	453,396	
TAXABLE INCOME	0	0	(778,529)	(478,854)	(478,854)	(478,854)	(478,854)	238,889	238,889	238,889	238,889	238,889	
LP TAXABLE INCOME FROM PARTNERSHIP (LOSSES)													
PRIORITY			(114,725)	(114,725)	(114,725)	(114,725)	(114,725)	0	0	0	0	0	
TAX EXCESS			(331,902)	(182,064)	(182,064)	(182,064)	(182,064)	119,445	119,445	119,445	119,445	119,445	
TOT LP TAX. INCOME			(446,627)	(296,789)	(296,789)	(296,789)	(296,789)	119,445	119,445	119,445	119,445	119,445	
ACCUM LP LOSS			(446,627)	(743,416)	(1,040,206)	(1,336,995)	(1,633,784)	(1,514,339)	(1,394,895)	(1,275,450)	(1,156,005)	(1,036,561)	
DEVELOPER TAXABLE INCOME (LOSSES)													
PRIORITY													
TAX EXCESS			(331,902)	(182,064)	(182,064)	(182,064)	(182,064)	119,445	119,445	119,445	119,445	119,445	
TOT DEV TAX. INCOME			(331,902)	(182,064)	(182,064)	(182,064)	(182,064)	119,445	119,445	119,445	119,445	119,445	
ACCUM DEV LOSS			(331,902)	(513,966)	(696,030)	(878,094)	(1,060,159)	(940,714)	(821,269)	(701,825)	(582,380)	(462,935)	

LP AFTER-TAX BENEFITS

BENEFIT			223,313	148,395	148,395	148,395	148,395	(59,722)	(59,722)	(59,722)	(59,722)	(59,722)
CASH			215,634	215,634	215,634	215,634	215,634	403,505	403,505	403,505	403,505	403,505
SALE PROCEED												4,329,582
TOT AFTER-TAX RETURN	(1,147,251)		438,947	364,029	364,029	364,029	364,029	343,783	343,783	343,783	343,783	4,673,365
LP % ROI			38.26%	31.73%	31.73%	31.73%	31.73%	29.97%	29.97%	29.97%	29.97%	407.35%
%IRR	29.39%											
NPV	615,854	DISCOUNTED AT	20.00%									

LIMITED PARTNER AFTER TAX TOTAL OCCUPANCY COST

-MOVING COST		250,000										
+MOVING COST BENEFIT		125,000										
+PTNSP AT RETU	(1,147,251)	0	438,947	364,029	364,029	364,029	364,029	343,783	343,783	343,783	343,783	4,673,365
-RENT	867,000	950,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	2,297,307	2,297,307	2,297,307	2,297,307	2,297,307
+RENT BENEFIT	433,500	475,000	900,000	900,000	900,000	900,000	900,000	1,148,653	1,148,653	1,148,653	1,148,653	1,148,653
-TENANT FIT UP		3,000,000										
+FIT UP BENEFIT			300,000	300,000	300,000	300,000	300,000					
+LEASE SELLOUT			505,000	505,000	505,000	476,000	455,000	455,000	455,000	455,000	455,000	425,500
-TAX ON SELLOUT			252,500	252,500	252,500	238,000	227,500	227,500	227,500	227,500	227,500	212,750
-RELOCATION COST		962,000										
+RELOCATION BENEFIT		481,000										
-F AND F COST		1,200,000										
+F AND F BENEFIT			120,000	120,000	120,000	120,000	120,000					
TOTAL LP AFTER TAX OCCUPANCY COST	(1,580,751)	(5,281,000)	211,447	136,529	136,529	122,029	111,529	(577,370)	(577,370)	(577,370)	(577,370)	3,737,462
accum occupancy cost	(1,580,751)	(6,861,751)	(6,650,304)	(6,513,775)	(6,377,246)	(6,255,218)	(6,143,689)	(6,721,059)	(7,298,430)	(7,875,800)	(8,453,170)	(4,715,708)
NPV	(4,667,537)	DISCOUNTED AT	20.00%									
IRR	-10.18%											
ROI	-137.79%	-460.32%	18.43%	11.90%	11.90%	10.64%	9.72%	-50.33%	-50.33%	-50.33%	-50.33%	325.78%

DEVELOPER AFTER-TAX BENEFITS

BENEFIT	0	0	165,951	91,032	91,032	91,032	91,032	(59,722)	(59,722)	(59,722)	(59,722)	(59,722)
CASH	0	0	100,909	100,909	100,909	100,909	100,909	288,780	288,780	288,780	288,780	288,780
SALE PROCEED												3,526,506
TOTAL AFTER TAX RETURN	0	0	266,860	191,941	191,941	191,941	191,941	229,058	229,058	229,058	229,058	3,755,564
NPV	1,028,680	DISCOUNTED AT	20.00%									

SALE SCENARIO	
NOI	2,215,297
CAP RATE	10.00%
SALES PRICE	22,152,967
MINUS UNPD MORT	10,983,759
MINUS EQ OUTSTG	1,147,251
NET SALES PROCEEDS	10,021,957

AFTER TAX SALE SCENARIOS

DEVELOPER		LIMITED PARTNER
0	BEGINNING CAPITAL	1,147,251
462,935	-LOSSES	1,036,561
1,948,446	-CASH	3,095,697
(2,411,381)	CAPITAL BALANCE	(2,985,007)
5,010,978	-SHARE OF SALE PROCEEDS	6,158,229
(7,422,359)	CAPITAL BALANCE AT SALE	(9,143,236)
20.00%	CAPITAL GAINS RATE	20.00%
1,484,472	TAX DUE ON SALE	1,828,647
5,010,978	SALES PROCEEDS	6,158,229
3,526,506	AFTER TAX PROCEEDS	4,329,582

PARTITION ANALYSIS OF RETURNS

OCCUPANCY COSTS**********	(867,000)	(6,362,000)	(1,295,000)	(1,295,000)	(1,295,000)	(1,324,000)	(1,345,000)	(1,842,307)	(1,842,307)	(1,842,307)	(1,842,307)	(1,871,807)
NPV (9,394,640) DISCOUNTED AT		20.00%										
CASH**********	(1,147,251)	0	215,634	215,634	215,634	215,634	215,634	403,505	403,505	403,505	403,505	403,505
NPV (171,435) DISCOUNTED AT		20.00%										
TAX BENEFITS**********	433,500	1,081,000	1,290,813	1,215,895	1,215,895	1,230,395	1,240,895	861,431	861,431	861,431	861,431	876,181
NPV 4,412,946 DISCOUNTED AT		20.00%										
RESIDUAL**********	0	0	0	0	0	0	0	0	0	0	0	4,329,582
NPV 485,591 DISCOUNTED AT		20.00%										
TOTAL RETURNS **********	(1,580,751)	(5,281,000)	211,447	136,529	136,529	122,029	111,529	(577,370)	(577,370)	(577,370)	(577,370)	3,737,462
NPV (4,667,537) DISCOUNTED AT		20.00%										

SENSITIVITY ANALYSIS JOINT VENTURE 4

BUILDING COST	BT NPV +C146	AT NPV +C267
10,325,260	(10,609,504)	(4,479,588)
11,472,512	(11,076,789)	(4,667,537)
12,619,763	(11,544,074)	(4,855,486)

RENT RATE OF SPEC PART

	+C146	+C267
16.20	(11,076,789)	(4,667,537)
18.00	(11,076,789)	(4,667,537)
19.80	(11,076,789)	(4,667,537)

VACANCY RATE

	+C146	+C267
2.00%	(11,076,789)	(4,667,537)
5.00%	(11,076,789)	(4,667,537)
10.00%	(11,076,789)	(4,667,537)

INCOME TAX RATE

+C267	38.00%	20.00%
38.00%	(5,911,230)	(5,726,644)
50.00%	(4,852,122)	(4,667,537)

INFLATION RATE

	+C146	+C267
2.00%	(11,477,736)	(4,837,145)
5.00%	(11,076,789)	(4,667,537)
10.00%	(10,003,152)	(4,235,067)

PROJECT COST ESTIMATE

COMPLETE OWNERSHIP 1		TOTAL COST	COST PER SF	SF	YRS DEPRCN	DPRCN/YR
LAND		$914,760	3.50	261,360	0	0
IMPROVEMENTS						
BUILDING		$5,500,000	55.00	100,000	18	305,556
SITE		$480,000	2.00	240,000	18	26,667
OFF SITE IMP		$200,000			18	11,111
TENANT IMP		$1,710,000	18.00	95,000	5	342,000
	TOTAL IMP	$7,890,000				
SOFT COSTS						
ARCH & ENG		$236,700	(3% OF IMPROVEMENTS)		18	13,150
LEGAL		$60,000			18	3,333
DEVELOPMENT FEE		$157,800	(2% OF IMPROVEMENTS)		18	8,767
TAX DURING CONST		$25,000	0.25	100,000	1	25,000
LEASE COMM						
OPER EXP BEF OCC		$50,000	0.50	100,000	1	50,000
	TOTAL SOFT	$529,500				
	SUB TOT	9,334,260				
	CONTINGENCY	933,426			18	51,857
	CONST COST	10,267,686				
	EQUITY IN	10,267,686				
	CONST LN AMT	0				
	CONST LN INT	0			18	0
	POINTS PERM LN	0			1	0
	PERM LN AMT	0				

Smart Corporation Building
Projected Total Occupancy Cost
BUILD AND PAY CASH FOR 100000 SF BLDG ON OPTIONED SITE
COMPLETE OWNERSHIP 1

100,000	SF	BUILDING SQUARE FEET
0.10	CAP	CAP RATE
0.20	CGTAX	CAPITAL GAINS TAX
10,267,686	CONSTCST	CONSTRUCTION COST
157,800	DEVFEE	DEVELOPER FEE
10,267,686	EQUITY	EQUITY AMOUNT
0.05	INF	INFLATION RATE (ANNUAL)
0	MORT	MORTGAGE AMOUNT
0.12	NPVGP	NPV DISCOUNT RATE GENERAL PARTNER before tax
2.00	OPEX	OPERATING EXPENSE PER SF
0.50	ORDTAX	ORDINARY INCOME TAX RATE
14.00	RENTM	RENT RATE MARKET
100,000	LPSP	SPACE OCCUPIED BY LIMITED PARTNER
1.00	RETAX	REAL ESTATE TAX RATE PER SF
0.00	VAC	VACANCY RATE
0.05	MGFEE	MANAGEMENT FEE
0.20	NPVGA	NPV DISCOUNT RATE GENERAL PARTNER (after tax)
30.00	FIT	TENANT FIT UP PER SF (cost to Smart Corp.)
12.00	FF	FURNITURE AND FIXTURES
250.000	MOV	MOVING COST
1.00	PE	EQUITY REQUIRED
0.02	PPTS	POINTS ON PERMANENT LOAN
962,000	REL	RELOCATION COST

YEAR	1987 Const	1988 Lease	1989 1	1990 2	1991 3	1992 4	1993 5	1994 6	1995 7	1996 8	1997 9	1998 10	1999
BUILDING MARKET INCOME													
GROSS RENT			1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,786,794	1,786,794	1,786,794	1,786,794	1,786,794	2,280,452
VAC. RESERVE			0	0	0	0	0	0	0	0	0	0	0
GROSS INCOME			1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,786,794	1,786,794	1,786,794	1,786,794	1,786,794	2,280,452
BUILDING EXPENSES													
OPER EXP.(LL)			200,000	200,000	200,000	200,000	200,000	255,256	255,256	255,256	255,256	255,256	325,779
RE TAXES			100,000	100,000	100,000	100,000	100,000	127,628	127,628	127,628	127,628	127,628	162,889
MANAGEMENT EXPENSES			70,000	70,000	70,000	70,000	70,000	89,340	89,340	89,340	89,340	89,340	114,023
TOT EXPENSES			370,000	370,000	370,000	370,000	370,000	472,224	472,224	472,224	472,224	472,224	602,691
BUILDING MARKET NET OPERATING INCOME			1,030,000	1,030,000	1,030,000	1,030,000	1,030,000	1,314,570	1,314,570	1,314,570	1,314,570	1,314,570	1,677,761
OWNER BEFORE TAX OCCUPANCY COST													
-MOVING COST		250,000											
-RELOCATION COSTS		962,000											
-F AND F		1,200,000											
-FIT UP		3,000,000											
-OLD RENT PAID	867,000	950,000											
+LEASE SELLOUT			505,000	505,000	505,000	476,000	455,000	455,000	455,000	455,000	455,000	425,000	
-EXPENSES	0	0	370,000	370,000	370,000	370,000	370,000	472,224	472,224	472,224	472,224	472,224	
+SALES PROCEED												16,777,615	
-EQUITY	10,267,686												
TOTAL OCCUPANCY COST	(11,134,686)	(6,362,000)	135,000	135,000	135,000	106,000	85,000	(17,224)	(17,224)	(17,224)	(17,224)	16,730,390	
accumulated cash spent	(11,134,686)	(17,496,686)	(17,361,686)	(17,226,686)	(17,091,686)	(16,985,686)	(16,900,686)	(16,917,910)	(16,935,134)	(16,952,359)	(16,969,583)	(239,192)	
NPV	(10,392,181)	DISCOUNTED AT	12.00%										
% ROI	-108.44%	-61.96%	1.31%	1.31%	1.31%	1.03%	0.83%	-0.17%	-0.17%	-0.17%	-0.17%	162.94%	
% IRR	-0.13%												

AFTER TAX ANALYSIS

YEAR	1987	1988	1989 1	1990 2	1991 3	1992 4	1993 5	1994 6	1995 7	1996 8	1997 9	1998 10	1999
BEFORE TAX OCCUPANCY COST	(11,134,686)	(6,362,000)	135,000	135,000	135,000	106,000	85,000	(17,224)	(17,224)	(17,224)	(17,224)	(47,224)	
NON-CASH EXPENSES													
ONE YEAR			75,000										
FIVE YEAR			342,000	342,000	342,000	342,000	342,000						
TEN YEAR			0	0	0	0	0	0	0	0	0	0	
EIGHTEEN YEAR			420,440	420,440	420,440	420,440	420,440	420,440	420,440	420,440	420,440	420,440	UNAMORT
													3,363,523
TOT NON-CASH EXP			837,440	762,440	762,440	762,440	762,440	420,440	420,440	420,440	420,440	420,440	
accumulated non cash exp			837,440	1,599,881	2,362,321	3,124,761	3,887,202	4,307,642	4,728,082	5,148,523	5,568,963	5,989,403	
OWNER TOTAL OCCUPANCY COST AFTER TAX													
+CASH COST OF OCCUPANCY	(11,134,686)	(6,362,000)	135,000	135,000	135,000	106,000	85,000	(17,224)	(17,224)	(17,224)	(17,224)	(47,224)	
+NON CASH BENEFIT	0	0	418,720	381,220	381,220	381,220	381,220	210,220	210,220	210,220	210,220	210,220	
+RELOCATION BENEFIT		481,000											
+EXPENSES BENEFIT	0	0	185,000	185,000	185,000	185,000	185,000	236,112	236,112	236,112	236,112	236,112	
+RENT BENEFIT	433,500	475,000											
-TAX ON LEASE SELLOUT	0	0	252,500	252,500	252,500	238,000	227,500	227,500	227,500	227,500	227,500	212,500	
+SALE PROCEED AT												14,277,748	
+F AND F BENEFIT			120,000	120,000	120,000	120,000	120,000						
+FIT UP BENEFIT			300,000	300,000	300,000	300,000	300,000						
+MOVING BENEFIT		125,000											
TOTAL COST OF OCC A.T.	(10,701,186)	(5,281,000)	906,220	868,720	868,720	854,220	843,720	201,608	201,608	201,608	201,608	14,464,356	
acc cost of occ	(10,701,186)	(15,982,186)	(15,075,966)	(14,207,246)	(13,338,526)	(12,484,305)	(11,640,585)	(11,438,977)	(11,237,369)	(11,035,761)	(10,834,153)	3,630,203	
NPV	(9,003,048)	DISCOUNTED AT	20.00%										
IRR%	2.32%												
ROI%		-104.22%	-51.43%	8.83%	8.46%	8.46%	8.32%	8.22%	1.96%	1.96%	1.96%	1.96%	140.87%

SENSITIVITY ANALYSIS COMPLETE OWNERSHIP 1

BUILDING COST	BT NPV +C131	AT NPV +B185
9,240,917	(9,475,423)	(8,147,407)
10,267,686	(10,392,181)	(9,003,048)
11,294,455	(11,308,939)	(9,858,689)

INCOME TAX RATE

+B185	38.00%	20.00%
38.00%	(9,940,252)	(9,687,913)
50.00%	(9,255,387)	(9,003,048)

INFLATION RATE

	+C131	+B185
2.00%	(11,371,963)	(9,355,277)
5.00%	(10,392,181)	(9,003,048)
10.00%	(8,043,011)	(8,162,971)

+sale proceed	16,777,615
-basis	
bldg	3,363,523
land	914,760
unamort exp	
net gain	12,499,332
cap gn tx liab	2,499,866
sale proceed	16,777,615
-unpd mort	0
-tax	2,499,866
net at proceed	14,277,748

PARTITION ANALYSIS OF RETURNS

OCCUPANCY COSTS**********	(867,000)	(6,362,000)	135,000	135,000	135,000	106,000	85,000	(17,224)	(17,224)	(17,224)	(17,224)	(47,224)
NPV (4,901,592) DISCOUNTED AT	20.00%											
CASH**********	(10,267,686)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
NPV (8,556,405) DISCOUNTED AT	20.00%											
TAX BENEFITS**********	433,500	1,081,000	771,220	733,720	733,720	748,220	758,720	218,832	218,832	218,832	218,832	233,832
NPV 2,853,604 DISCOUNTED AT	20.00%											
RESIDUAL**********	0	0	0	0	0	0	0	0	0	0	0	14,277,748
NPV 1,601,344 DISCOUNTED AT	20.00%											
TOTAL RETURNS **********	(10,701,186)	(5,281,000)	906,220	868,720	868,720	854,220	843,720	201,608	201,608	201,608	201,608	14,464,356
NPV (9,003,048) DISCOUNTED AT	20.00%											

PROJECT COST ESTIMATE

COMPLETE OCCUPANCY 2		TOTAL COST	COST PER SF	SF	YRS DEPRCN	DPRCN/YR
LAND		$914,760	3.50	261,360	0	0
IMPROVEMENTS						
BUILDING		$5,500,000	55.00	100,000	18	305,556
SITE		$522,720	2.00	261,360	18	29,040
OFF SITE IMP		$200,000			18	11,111
TENANT IMP		$1,710,000	18.00	95,000	5	342,000
	TOTAL IMP	$7,932,720				
SOFT COSTS						
ARCH & ENG		$237,982 (3% OF IMPROVEMENTS)			18	13,221
LEGAL		$60,000			18	3,333
DEVELOPMENT FEE		$158,654 (2% OF IMPROVEMENTS)			18	8,814
TAX DURING CONST		$25,000	0.25	100,000	1	25,000
LEASE COMM						
OPER EXP BEF OCC		$75,000	0.75	100,000	1	75,000
	TOTAL SOFT	$556,636				
	SUB TOT	9,404,116				
	CONTINGENCY	940,412			18	52,245
	CONST COST	10,344,528				
	EQUITY IN	1,034,453				
	CONST LN AMT	9,310,075				
	CONST LN INT	395,678			18	21,982
	POINTS PERM LN	198,077			1	198,077
	PERM LN AMT	9,903,830				

Smart Corporation Building
Projected Total Occupancy Cost
BUILD AND FINANCE 100000 SQUARE FOOT BUILDING ON OPTIONED SITE
COMPLETE OCCUPANCY 2

100,000	SF	BUILDING SQUARE FEET
0.10	CAP	CAP RATE
0.20	CGTAX	CAPITAL GAINS TAX
10,344,528	CONSTCST	CONSTRUCTION COST
0.085	CLNINT	CONSTRUCTION LOAN INTEREST
158,654	DEVFEE	DEVELOPER FEE
1,034,453	EQUITY	EQUITY AMOUNT
0.05	INF	INFLATION RATE (ANNUAL)
9,903,830	MORT	MORTGAGE AMOUNT
0.12	NPVGP	NPV DISCOUNT RATE GENERAL PARTNER before tax
2.00	OPEX	OPERATING EXPENSE PER SF
0.50	ORDTAX	ORDINARY INCOME TAX RATE
0.095	PLINT	PERMANENT LOAN INTEREST
14.00	RENTM	RENT RATE MARKET
100,000	LPSP	SPACE OCCUPIED BY LIMITED PARTNER
1.00	RETAX	REAL ESTATE TAX RATE PER SF
0.05	MGFEE	MANAGEMENT FEE
15.00	LPM	LENGTH OF PERM MORTGAGE
0.20	NPVGA	NPV DISCOUNT RATE GENERAL PARTNER (after tax)
30.00	FIT	TENANT FIT UP PER SF (cost to Smart Corp.)
12.00	FF	FURNITURE AND FIXTURES
250,000	MOV	MOVING COST
0.10	PE	EQUITY REQUIRED
0.02	PPTS	POINTS ON PERMANENT LOAN
962,000	REL	RELOCATION COST

YEAR	1987 Const	1988 Lease	1989 1	1990 2	1991 3	1992 4	1993 5	1994 6	1995 7	1996 8	1997 9	1998 10	1999
BUILDING MARKET INCOME													
GROSS RENT			1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,786,794	1,786,794	1,786,794	1,786,794	1,786,794	2,280,452
VAC. RESERVE			0	0	0	0	0	0	0	0	0	0	0
GROSS INCOME			1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,786,794	1,786,794	1,786,794	1,786,794	1,786,794	2,280,452
BUILDING EXPENSES													
OPER EXP.(LL)			200,000	200,000	200,000	200,000	200,000	255,256	255,256	255,256	255,256	255,256	325,779
RE TAXES			100,000	100,000	100,000	100,000	100,000	127,628	127,628	127,628	127,628	127,628	162,889
MANAGEMENT EXPENSES			70,000	70,000	70,000	70,000	70,000	89,340	89,340	89,340	89,340	89,340	114,023
TOT EXPENSES			370,000	370,000	370,000	370,000	370,000	472,224	472,224	472,224	472,224	472,224	602,691
BUILDING MARKET NET OPERATING INCOME			1,030,000	1,030,000	1,030,000	1,030,000	1,030,000	1,314,570	1,314,570	1,314,570	1,314,570	1,314,570	1,677,761
OWNER BEFORE TAX OCCUPANCY COST													
-MOVING COST		250,000											
-RELOCATION COSTS		962,000											
-F AND F		1,200,000											
-FIT UP		3,000,000											
-OLD RENT PAID	867,000	950,000											
-DEBT SERVICE			940,864	940,864	940,864	940,864	940,864	940,864	940,864	940,864	940,864	940,864	
+LEASE SELLOUT			505,000	505,000	505,000	476,000	455,000	455,000	455,000	455,000	455,000	425,000	
-EXPENSES	0	0	370,000	370,000	370,000	370,000	370,000	472,224	472,224	472,224	472,224	472,224	
+SALES PROCEED												16,777,615	
-EQUITY	1,034,453												
TOTAL OCCUPANCY COST	(1,901,453)	(6,362,000)	(805,864)	(805,864)	(805,864)	(834,864)	(855,864)	(958,088)	(958,088)	(958,088)	(958,088)	15,789,527	
accumulated cash spent	(1,901,453)	(8,263,453)	(9,069,317)	(9,875,180)	(10,681,044)	(11,515,908)	(12,371,772)	(13,329,860)	(14,287,948)	(15,246,036)	(16,204,124)	(414,597)	
NPV	(6,386,178)	DISCOUNTED AT	12.00%										
% ROI	-183.81%	-615.01%	-77.90%	-77.90%	-77.90%	-80.71%	-82.74%	-92.62%	-92.62%	-92.62%	-92.62%	1526.37%	
% IRR	-0.34%												

AFTER TAX ANALYSIS

YEAR	1987	1988	1989 1	1990 2	1991 3	1992 4	1993 5	1994 6	1995 7	1996 8	1997 9	1998 10	1999
BEFORE TAX OCCUPANCY COST	(1,901,453)	(6,362,000)	(805,864)	(805,864)	(805,864)	(834,864)	(855,864)	(958,088)	(958,088)	(958,088)	(958,088)	(988,088)	
NON-CASH EXPENSES													
ONE YEAR			298,077										
FIVE YEAR			342,000	342,000	342,000	342,000	342,000						
TEN YEAR													
EIGHTEEN YEAR			445,303	445,303	445,303	445,303	445,303	445,303	445,303	445,303	445,303	445,303	UNAMORT
			---	---	---	---	---	---	---	---	---	---	3,562,420
TOT NON-CASH EXP			1,085,379	787,303	787,303	787,303	787,303	445,303	445,303	445,303	445,303	445,303	
accumulated non cash exp			1,085,379	1,872,682	2,659,984	3,447,287	4,234,589	4,679,892	5,125,194	5,570,497	6,015,799	6,461,102	
OWNER TOTAL OCCUPANCY COST AFTER TAX													
+CASH COST OF OCCUPANCY	(1,901,453)	(6,362,000)	(805,864)	(805,864)	(805,864)	(834,864)	(855,864)	(958,088)	(958,088)	(958,088)	(958,088)	(988,088)	
+NON CASH BENEFIT	0	0	542,690	393,651	393,651	393,651	393,651	222,651	222,651	222,651	222,651	222,651	
+RELOCATION BENEFIT		481,000											
+EXPENSES BENEFIT	0	0	185,000	185,000	185,000	185,000	185,000	236,112	236,112	236,112	236,112	236,112	
+RENT BENEFIT	433,500	475,000											
+MORT INT BENEFIT	0	0	470,432	470,432	470,432	470,432	470,432	470,432	470,432	470,432	470,432	470,432	
-TAX ON LEASE SELLOUT	0	0	252,500	252,500	252,500	238,000	227,500	227,500	227,500	227,500	227,500	212,500	
+SALE PROCEED AT												14,317,528	
+F AND F BENEFIT			120,000	120,000	120,000	120,000	120,000						
+FIT UP BENEFIT			300,000	300,000	300,000	300,000	300,000						
+MOVING BENEFIT		125,000											

TOTAL COST OF OCC A.T.	(1,467,953)	(5,281,000)	559,758	410,719	410,719	396,219	385,719	(256,393)	(256,393)	(256,393)	(256,393)	14,046,135	
acc cost of occ	(1,467,953)	(6,748,953)	(6,189,195)	(5,778,476)	(5,367,756)	(4,971,537)	(4,585,818)	(4,842,210)	(5,098,603)	(5,354,996)	(5,611,389)	8,434,747	

NPV (2,573,119) DISCOUNTED AT 20.00%

IRR% 9.40%

ROI% -141.91% -510.51% 54.11% 39.70% 39.70% 38.30% 37.29% -24.79% -24.79% -24.79% -24.79% 1357.83%

SENSITIVITY ANALYSIS COMPLETE OWNERSHIP 2

BUILDING COST	BT NPV +C131	AT NPV +B185
9,310,075	(5,870,021)	(2,359,278)
10,344,528	(6,386,178)	(2,573,120)
11,378,981	(6,902,335)	(2,786,962)

INCOME TAX RATE +B185		
	38.00%	20.00%
38.00%	(3,859,198)	(3,610,874)
50.00%	(2,821,443)	(2,573,119)

INFLATION RATE	+C131	+B185
2.00%	(7,365,959)	(2,925,349)
5.00%	(6,386,178)	(2,573,119)
10.00%	(4,037,008)	(1,733,042)

+sale proceed	16,777,615
-basis	
bldg	3,562,420
land	914,760
unamort exp	
net gain	12,300,434
cap gn tx liab	2,460,087
sale proceed	16,777,615
-unpd mort	0
-tax	2,460,087
net at proceed	14,317,528

PARTITION ANALYSIS OF RETURNS

OCCUPANCY COSTS**********	(867,000)	(6,362,000)	(805,864)	(805,864)	(805,864)	(834,864)	(855,864)	(958,088)	(958,088)	(958,088)	(988,088)
NPV (7,640,860) DISCOUNTED AT		20.00%									
CASH**********	(1,034,453)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
NPV (862,044) DISCOUNTED AT		20.00%									
TAX BENEFITS**********	433,500	1,081,000	1,365,621	1,216,583	1,216,583	1,231,083	1,241,583	701,695	701,695	701,695	716,695
NPV 4,323,978 DISCOUNTED AT		20.00%									
RESIDUAL**********	0	0	0	0	0	0	0	0	0	0	14,317,528
NPV 1,605,806 DISCOUNTED AT		20.00%									
TOTAL RETURNS **********	(1,467,953)	(5,281,000)	559,758	410,719	410,719	396,219	385,719	(256,393)	(256,393)	(256,393)	14,046,135
NPV (2,573,119) DISCOUNTED AT		20.00%									

OCCUPANCY % 296.95%
CASH % 33.50%

PROJECT COST ESTIMATE

COMPLETE OWNERSHIP 3		TOTAL COST	COST PER SF	SF	YRS DEPRCN	DPRCN/YR
LAND		$1,960,200	7.50	261,360	0	0
IMPROVEMENTS						
BUILDING		$5,500,000	55.00	100,000	18	305,556
SITE		$480,000	2.00	240,000	18	26,667
OFF SITE IMP		$200,000			18	11,111
TENANT IMP		$1,710,000	18.00	95,000	5	342,000
	TOTAL IMP	$7,890,000				
SOFT COSTS						
ARCH & ENG		$236,700 (3% OF IMPROVEMENTS)			18	13,150
LEGAL		$60,000			18	3,333
DEVELOPMENT FEE		$157,800 (2% OF IMPROVEMENTS)			18	8,767
TAX DURING CONST		$30,000	0.30	100,000	1	30,000
LEASE COMM						
OPER EXP BEF OCC		$50,000	0.50	100,000	1	50,000
	TOTAL SOFT	$534,500				
	SUB TOT	10,384,700				
	CONTINGENCY	1,038,470			18	57,693
	CONST COST	11,423,170				
	EQUITY IN	11,423,170				
	CONST LN AMT	0				
	CONST LN INT	0			18	0
	POINTS PERM LN	0			1	0
	PERM LN AMT	0				

Smart Corporation Building
Projected Total Occupancy Cost
BUILD AND PAY CASH FOR 100000 SF BLDG IN OFFICE PARK
COMPLETE OWNERSHIP 3

100,000	SF	BUILDING SQUARE FEET
0.10	CAP	CAP RATE
0.20	CGTAX	CAPITAL GAINS TAX
11,423,170	CONSTCST	CONSTRUCTION COST
157,800	DEVFEE	DEVELOPER FEE
11,423,170	EQUITY	EQUITY AMOUNT
0.05	INF	INFLATION RATE (ANNUAL)
0	MORT	MORTGAGE AMOUNT
0.12	NPVGP	NPV DISCOUNT RATE GENERAL PARTNER before tax
2.00	OPEX	OPERATING EXPENSE PER SF
0.50	ORDTAX	ORDINARY INCOME TAX RATE
18.00	RENTM	RENT RATE MARKET
100,000	LPSP	SPACE OCCUPIED BY LIMITED PARTNER
1.50	RETAX	REAL ESTATE TAX RATE PER SF
0.00	VAC	VACANCY RATE
0.05	MGFEE	MANAGEMENT FEE
0.20	NPVGA	NPV DISCOUNT RATE GENERAL PARTNER (after tax)
30.00	FIT	TENANT FIT UP PER SF (cost to Smart Corp.)
12.00	FF	FURNITURE AND FIXTURES
250,000	MOV	MOVING COST
1.00	PE	EQUITY REQUIRED
0.02	PPTS	POINTS ON PERMANENT LOAN
962,000	REL	RELOCATION COST

YEAR	1987 Const	1988 Lease	1989 1	1990 2	1991 3	1992 4	1993 5	1994 6	1995 7	1996 8	1997 9	1998 10	1999
BUILDING MARKET INCOME													
GROSS RENT			1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	2,297,307	2,297,307	2,297,307	2,297,307	2,297,307	2,932,010
VAC. RESERVE			0	0	0	0	0	0	0	0	0	0	0
GROSS INCOME			1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	2,297,307	2,297,307	2,297,307	2,297,307	2,297,307	2,932,010
BUILDING EXPENSES													
OPER EXP.(LL)			200,000	200,000	200,000	200,000	200,000	255,256	255,256	255,256	255,256	255,256	325,779
RE TAXES			150,000	150,000	150,000	150,000	150,000	191,442	191,442	191,442	191,442	191,442	244,334
MANAGEMENT EXPENSES			90,000	90,000	90,000	90,000	90,000	114,865	114,865	114,865	114,865	114,865	146,601
TOT EXPENSES			440,000	440,000	440,000	440,000	440,000	561,564	561,564	561,564	561,564	561,564	716,714
BUILDING MARKET NET OPERATING INCOME			1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,735,743	1,735,743	1,735,743	1,735,743	1,735,743	2,215,297
OWNER BEFORE TAX OCCUPANCY COST													
-MOVING COST		250,000											
-RELOCATION COSTS		962,000											
-F AND F		1,200,000											
-FIT UP		3,000,000											
-OLD RENT PAID	867,000	950,000											
+LEASE SELLOUT			505,000	505,000	505,000	476,000	455,000	455,000	455,000	455,000	455,000	425,000	
-EXPENSES	0	0	440,000	440,000	440,000	440,000	440,000	561,564	561,564	561,564	561,564	561,564	
+SALES PROCEED												22,152,967	
-EQUITY	11,423,170												
TOTAL OCCUPANCY COST	(12,290,170)	(6,362,000)	65,000	65,000	65,000	36,000	15,000	(106,564)	(106,564)	(106,564)	(106,564)	22,016,403	
accumulated cash spent	(12,290,170)	(18,652,170)	(18,587,170)	(18,522,170)	(18,457,170)	(18,421,170)	(18,406,170)	(18,512,734)	(18,619,298)	(18,725,862)	(18,832,426)	3,183,977	
NPV	(10,390,983)	DISCOUNTED AT	12.00%										
% ROI	-107.59%	-55.69%	0.57%	0.57%	0.57%	0.32%	0.13%	-0.93%	-0.93%	-0.93%	-0.93%	192.73%	
% IRR	1.50%												

AFTER TAX ANALYSIS

YEAR	1987	1988	1989 1	1990 2	1991 3	1992 4	1993 5	1994 6	1995 7	1996 8	1997 9	1998 10	1999
BEFORE TAX OCCUPANCY COST	(12,290,170)	(6,362,000)	65,000	65,000	65,000	36,000	15,000	(106,564)	(106,564)	(106,564)	(106,564)	(136,564)	
NON-CASH EXPENSES													
ONE YEAR			80,000										
FIVE YEAR			342,000	342,000	342,000	342,000	342,000						
TEN YEAR			0	0	0	0	0	0	0	0	0	0	
EIGHTEEN YEAR			426,276	426,276	426,276	426,276	426,276	426,276	426,276	426,276	426,276	426,276	UNAMORT
													3,410,209
TOT NON-CASH EXP			848,276	768,276	768,276	768,276	768,276	426,276	426,276	426,276	426,276	426,276	
accumulated non cash exp			848,276	1,616,552	2,384,828	3,153,104	3,921,381	4,347,657	4,773,933	5,200,209	5,626,485	6,052,761	
OWNER TOTAL OCCUPANCY COST AFTER TAX													
+CASH COST OF OCCUPANCY	(12,290,170)	(6,362,000)	65,000	65,000	65,000	36,000	15,000	(106,564)	(106,564)	(106,564)	(106,564)	(136,564)	
+NON CASH BENEFIT	0	0	424,138	384,138	384,138	384,138	384,138	213,138	213,138	213,138	213,138	213,138	
+RELOCATION BENEFIT		481,000											
+EXPENSES BENEFIT	0	0	220,000	220,000	220,000	220,000	220,000	280,782	280,782	280,782	280,782	280,782	
+RENT BENEFIT	433,500	475,000											
-TAX ON LEASE SELLOUT	0	0	252,500	252,500	252,500	238,000	227,500	227,500	227,500	227,500	227,500	212,500	
+SALE PROCEED AT												18,796,455	
+F AND F BENEFIT			120,000	120,000	120,000	120,000	120,000						
+FIT UP BENEFIT			300,000	300,000	300,000	300,000	300,000						
+MOVING BENEFIT		125,000											
TOTAL COST OF OCC A.T.	(11,856,670)	(5,281,000)	876,638	836,638	836,638	822,138	811,638	159,856	159,856	159,856	159,856	18,941,311	
acc cost of occ	(11,856,670)	(17,137,670)	(16,261,032)	(15,424,394)	(14,587,756)	(13,765,618)	(12,953,980)	(12,794,124)	(12,634,267)	(12,474,411)	(12,314,555)	6,626,756	
NPV	(9,559,178)	DISCOUNTED AT	20.00%										
IRR%	3.60%												
ROI%		-103.79%	-46.23%	7.67%	7.32%	7.32%	7.20%	7.11%	1.40%	1.40%	1.40%	1.40%	165.81%

SENSITIVITY ANALYSIS COMPLETE OWNERSHIP 3

BUILDING COST	BT NPV	AT NPV
	+C131	+B185
10,290,853	(9,371,057)	(8,607,247)
11,423,170	(10,390,983)	(9,559,178)
12,565,487	(11,410,909)	(10,511,108)

INCOME TAX RATE		
+B185	38.00%	20.00%
38.00%	(10,611,631)	(10,272,822)
50.00%	(9,897,987)	(9,559,178)

INFLATION RATE		
	+C131	+B185
2.00%	(11,698,306)	(10,027,745)
5.00%	(10,390,983)	(9,559,178)
10.00%	(7,262,710)	(8,443,178)

+sale proceed	22,152,967
-basis	
bldg	3,410,209
land	1,960,200
unamort exp	
net gain	16,782,558
cap gn tx liab	3,356,512
sale proceed	22,152,967
-unpd mort	0
-tax	3,356,512
net at proceed	18,796,455

PARTITION ANALYSIS OF RETURNS

OCCUPANCY COSTS	(867,000)	(6,362,000)	65,000	65,000	65,000	36,000	15,000	(106,564)	(106,564)	(106,564)	(106,564)	(136,564)
NPV (5,121,534)	DISCOUNTED AT	20.00%										
CASH	(11,423,170)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
NPV (9,519,308)	DISCOUNTED AT	20.00%										
TAX BENEFITS	433,500	1,081,000	811,638	771,638	771,638	786,138	796,638	266,420	266,420	266,420	266,420	281,420
NPV 2,973,517	DISCOUNTED AT	20.00%										
RESIDUAL	0	0	0	0	0	0	0	0	0	0	0	18,796,455
NPV 2,108,148	DISCOUNTED AT	20.00%										
TOTAL RETURNS	(11,856,670)	(5,281,000)	876,638	836,638	836,638	822,138	811,638	159,856	159,856	159,856	159,856	18,941,311
NPV (9,559,178)	DISCOUNTED AT	20.00%										

PROJECT COST ESTIMATE

COMPLETE OCCUPANCY 4		TOTAL COST	COST PER SF	SF	YRS DEPRCN	DPRCN/YR
LAND		$1,960,200	7.50	261,360	0	0
IMPROVEMENTS						
BUILDING		$5,500,000	55.00	100,000	18	305,556
SITE		$522,720	2.00	261,360	18	29,040
OFF SITE IMP		$200,000			18	11,111
TENANT IMP		$1,710,000	18.00	95,000	5	342,000
	TOTAL IMP	$7,932,720				
SOFT COSTS						
ARCH & ENG		$237,982 (3% OF IMPROVEMENTS)			18	13,221
LEGAL		$60,000			18	3,333
DEVELOPMENT FEE		$158,654 (2% OF IMPROVEMENTS)			18	8,814
TAX DURING CONST		$30,000	0.30	100,000	1	30,000
LEASE COMM						
OPER EXP BEF OCC		$75,000	0.75	100,000	1	75,000
	TOTAL SOFT	$561,636				
	SUB TOT	10,454,556				
	CONTINGENCY	1,045,456			18	58,081
	CONST COST	11,500,012				
	EQUITY IN	1,150,001				
	CONST LN AMT	10,350,010				
	CONST LN INT	439,875			18	24,438
	POINTS PERM LN	220,202			1	220,202
	PERM LN AMT	11,010,088				

Smart Corporation Building
Projected Total Occupancy Cost
BUILD AND FINANCE 100000 SQUARE FOOT BLDG IN OFFICE PARK
COMPLETE OCCUPANCY 4

100,000	SF	BUILDING SQUARE FEET
0.10	CAP	CAP RATE
0.20	CGTAX	CAPITAL GAINS TAX
11,500,012	CONSTCST	CONSTRUCTION COST
0.085	CLNINT	CONSTRUCTION LOAN INTEREST
158,654	DEVFEE	DEVELOPER FEE
1,150,001	EQUITY	EQUITY AMOUNT
0.05	INF	INFLATION RATE (ANNUAL)
11,010,088	MORT	MORTGAGE AMOUNT
0.12	NPVGP	NPV DISCOUNT RATE GENERAL PARTNER before tax
2.00	OPEX	OPERATING EXPENSE PER SF
0.50	ORDTAX	ORDINARY INCOME TAX RATE
0.095	PLINT	PERMANENT LOAN INTEREST
18.00	RENTM	RENT RATE MARKET
100,000	LPSP	SPACE OCCUPIED BY LIMITED PARTNER
1.50	RETAX	REAL ESTATE TAX RATE PER SF
0.05	MGFEE	MANAGEMENT FEE
15.00	LPM	LENGTH OF PERM MORTGAGE
0.20	NPVGA	NPV DISCOUNT RATE GENERAL PARTNER (after tax)
30.00	FIT	TENANT FIT UP PER SF (cost to Smart Corp.)
12.00	FF	FURNITURE AND FIXTURES
250,000	MOV	MOVING COST
0.10	PE	EQUITY REQUIRED
0.02	PPTS	POINTS ON PERMANENT LOAN
962.000	REL	RELOCATION COSTS

YEAR	1987 Const	1988 Lease	1989 1	1990 2	1991 3	1992 4	1993 5	1994 6	1995 7	1996 8	1997 9	1998 10	1999
BUILDING MARKET INCOME													
GROSS RENT			1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	2,297,307	2,297,307	2,297,307	2,297,307	2,297,307	2,932,010
VAC. RESERVE			0	0	0	0	0	0	0	0	0	0	0
GROSS INCOME			1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	2,297,307	2,297,307	2,297,307	2,297,307	2,297,307	2,932,010
BUILDING EXPENSES													
OPER EXP.(LL)			200,000	200,000	200,000	200,000	200,000	255,256	255,256	255,256	255,256	255,256	325,779
RE TAXES			150,000	150,000	150,000	150,000	150,000	191,442	191,442	191,442	191,442	191,442	244,334
MANAGEMENT			90,000	90,000	90,000	90,000	90,000	114,865	114,865	114,865	114,865	114,865	146,601
EXPENSES													
TOT EXPENSES			440,000	440,000	440,000	440,000	440,000	561,564	561,564	561,564	561,564	561,564	716,714
BUILDING MARKET NET OPERATING INCOME			1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,735,743	1,735,743	1,735,743	1,735,743	1,735,743	2,215,297
OWNER BEFORE TAX OCCUPANCY COST													
-MOVING COST		250,000											
-RELOCATION COSTS		962,000											
-F AND F		1,200,000											
-FIT UP		3,000,000											
-OLD RENT PAID	867,000	950,000											
-DEBT SERVICE			1,045,958	1,045,958	1,045,958	1,045,958	1,045,958	1,045,958	1,045,958	1,045,958	1,045,958	1,045,958	
+LEASE SELLOUT			505,000	505,000	505,000	476,000	455,000	455,000	455,000	455,000	455,000	425,000	
-EXPENSES	0	0	440,000	440,000	440,000	440,000	440,000	561,564	561,564	561,564	561,564	561,564	
+SALES PROCEED												22,152,967	
-EQUITY	1,150,001												
TOTAL OCCUPANCY COST	(2,017,001)	(6,362,000)	(980,958)	(980,958)	(980,958)	(1,009,958)	(1,030,958)	(1,152,522)	(1,152,522)	(1,152,522)	(1,152,522)	20,970,445	
accumulated cash spent	(2,017,001)	(8,379,001)	(9,359,959)	(10,340,918)	(11,321,876)	(12,331,834)	(13,362,793)	(14,515,315)	(15,667,837)	(16,820,359)	(17,972,882)	2,997,563	
NPV	(5,929,845)	DISCOUNTED AT	12.00%										
% ROI	-175.39%	-553.22%	-85.30%	-85.30%	-85.30%	-87.82%	-89.65%	-100.22%	-100.22%	-100.22%	-100.22%	1823.52%	
% IRR	2.09%												

AFTER TAX ANALYSIS

YEAR	1987	1988	1989 1	1990 2	1991 3	1992 4	1993 5	1994 6	1995 7	1996 8	1997 9	1998 10	1999
BEFORE TAX OCCUPANCY COST	(2,017,001)	(6,362,000)	(980,958)	(980,958)	(980,958)	(1,009,958)	(1,030,958)	(1,152,522)	(1,152,522)	(1,152,522)	(1,152,522)	(1,182,522)	
NON-CASH EXPENSES													
ONE YEAR			325,202										
FIVE YEAR			342,000	342,000	342,000	342,000	342,000						
TEN YEAR													
EIGHTEEN YEAR			453,594	453,594	453,594	453,594	453,594	453,594	453,594	453,594	453,594	453,594	UNAMORT
													3,628,750
TOT NON-CASH EXP			1,120,795	795,594	795,594	795,594	795,594	453,594	453,594	453,594	453,594	453,594	
accumulated non cash exp			1,120,795	1,916,389	2,711,983	3,507,577	4,303,170	4,756,764	5,210,358	5,663,952	6,117,545	6,571,139	

OWNER TOTAL OCCUPANCY COST AFTER TAX

+CASH COST OF OCCUPANCY	(2,017,001)	(6,362,000)	(980,958)	(980,958)	(980,958)	(1,009,958)	(1,030,958)	(1,152,522)	(1,152,522)	(1,152,522)	(1,152,522)	(1,182,522)	
+NON CASH BENEFIT	0	0	560,398	397,797	397,797	397,797	397,797	226,797	226,797	226,797	226,797	226,797	
+RELOCATION BENEFIT		481,000											
+EXPENSES BENEFIT	0	0	220,000	220,000	220,000	220,000	220,000	280,782	280,782	280,782	280,782	280,782	
+RENT BENEFIT	433,500	475,000											
+MORT INT BENEFIT	0	0	522,979	522,979	522,979	522,979	522,979	522,979	522,979	522,979	522,979	522,979	
-TAX ON LEASE SELLOUT	0	0	252,500	252,500	252,500	238,000	227,500	227,500	227,500	227,500	227,500	212,500	
+SALE PROCEED AT												18,840,163	
+F AND F BENEFIT			120,000	120,000	120,000	120,000	120,000						
+FIT JP BENEFIT			300,000	300,000	300,000	300,000	300,000						
+MOVING BENEFIT		125,000											
TOTAL COST OF OCC A.T.	(1,583,501)	(5,281,000)	489,919	327,318	327,318	312,818	302,318	(349,464)	(349,464)	(349,464)	(349,464)	18,475,699	
acc cost of occ	(1,583,501)	(6,864,501)	(6,374,583)	(6,047,265)	(5,719,947)	(5,407,129)	(5,104,812)	(5,454,276)	(5,803,740)	(6,153,205)	(6,502,669)	11,973,030	

NPV (2,405,207) DISCOUNTED AT 20.00%

IRR% 11.27%

ROI%	-137.70%	-459.22%	42.60%	28.46%	28.46%	27.20%	26.29%	-30.39%	-30.39%	-30.39%	-30.39%	1606.58%

SENSITIVITY ANALYSIS COMPLETE OWNERSHIP 4

BUILDING COST	BT NPV +C131	AT NPV +B185
10,350,010	(5,356,033)	(2,167,479)
11,500,012	(5,929,845)	(2,405,207)
12,650,013	(6,503,657)	(2,642,935)

INCOME TAX RATE

+B185	38.00%	20.00%
38.00%	(3,845,250)	(3,510,852)
50.00%	(2,739,605)	(2,405,207)

INFLATION RATE

	+C131	+B185
2.00%	(7,237,168)	(2,873,775)
5.00%	(5,929,845)	(2,405,207)
10.00%	(2,801,572)	(1,289,208)

+sale proceed	22,152,967	
-basis		
bldg	3,628,750	
land	1,960,200	
unamort exp		
net gain	16,564,017	
cap gn tx liab	3,312,803	
sale proceed	22,152,967	
-unpd mort	.0	
-tax	3,312,803	
net at proceed	18,840,163	

PARTITION ANALYSIS OF RETURNS

OCCUPANCY COSTS**********	(867,000)	(6,362,000)	(980,958)	(980,958)	(980,958)	(1,009,958)	(1,030,958)	(1,152,522)	(1,152,522)	(1,152,522)	(1,152,522)	(1,182,522)
NPV (8,166,778) DISCOUNTED AT 20.00%												
CASH**********	(1,150,001)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
NPV (958,334) DISCOUNTED AT 20.00%												
TAX BENEFITS**********	433,500	1,081,000	1,470,877	1,308,276	1,308,276	1,322,776	1,333,276	803,058	803,058	803,058	803,058	818,058
NPV 4,606,856 DISCOUNTED AT 20.00%												
RESIDUAL**********	0	0	0	0	0	0	0	0	0	0	0	18,840,163
NPV 2,113,050 DISCOUNTED AT 20.00%												
TOTAL RETURNS **********	(1,583,501)	(5,281,000)	489,919	327,318	327,318	312,818	302,318	(349,464)	(349,464)	(349,464)	(349,464)	18,475,699
NPV (2,405,207) DISCOUNTED AT 20.00%												

Smart Corporation Building
Projected Total Occupancy Cost
REMAIN IN EXISTING DOWNTOWN SPACE
LEASED SPACE 1

0.20	CGTAX	CAPITAL GAINS TAX
0.20	NPVA	NPV DISCOUNT RATE AFTER TAX
0.12	NPVB	NPV DISCOUNT RATE BEFORE TAX
0.50	ORDTAX	ORDINARY INCOME TAX RATE
100,000	SQFT	SQUARE FEET OCCUPIED BY SMART CORP.
6.00	FF	F AND F ALLOWANCE
170,000	REN	AVERAGE ANNUAL RENOVATION COSTS

YEAR	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
OCCUPANCY COST BEFORE TAX													
-RENT	867,000	950,000	950,000	950,000	950,000	1,008,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,109,000	
-RENOVATION COST	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	
-F AND F COST		600,000											
TOTAL BT OCCUPANCY COST	(1,037,000)	(1,720,000)	(1,120,000)	(1,120,000)	(1,120,000)	(1,178,000)	(1,220,000)	(1,220,000)	(1,220,000)	(1,220,000)	(1,220,000)	(1,279,000)	
accumulated occ cost	(1,037,000)	(2,757,000)	(3,877,000)	(4,997,000)	(6,117,000)	(7,295,000)	(8,515,000)	(9,735,000)	(10,955,000)	(12,175,000)	(13,395,000)	(14,674,000)	
IRR%													
NPV (7,594,733)	DISCOUNTED AT	12.00%											
OCCUPANCY COST AFTER TAX													
+TOTAL CASH OCC COST	(1,037,000)	(1,720,000)	(1,120,000)	(1,120,000)	(1,120,000)	(1,178,000)	(1,220,000)	(1,220,000)	(1,220,000)	(1,220,000)	(1,220,000)	(1,279,000)	
+TAX BENEFIT ON RENT	433,500	475,000	475,000	475,000	475,000	504,000	525,000	525,000	525,000	525,000	525,000	554,500	
+F AND F BENEFIT			60,000	60,000	60,000	60,000	60,000						
+RENOVATION BENEFIT	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	
TOTAL OCCUPANCY COST	(518,500)	(1,160,000)	(500,000)	(500,000)	(500,000)	(529,000)	(550,000)	(610,000)	(610,000)	(610,000)	(610,000)	(639,500)	
accumulated occupancy cost	(518,500)	(1,678,500)	(2,178,500)	(2,678,500)	(3,178,500)	(3,707,500)	(4,257,500)	(4,867,500)	(5,477,500)	(6,087,500)	(6,697,500)	(7,337,000)	
NPV (2,812,142)	DISCOUNTED AT	20.00%											
IRR%													

PARTITION ANALYSIS OF RETURNS

OCCUPANCY COSTS**********	(1,037,000)	(1,720,000)	(1,120,000)	(1,120,000)	(1,120,000)	(1,178,000)	(1,220,000)	(1,220,000)	(1,220,000)	(1,220,000)	(1,220,000)	(1,279,000)
NPV (5,456,835) DISCOUNTED AT 20.00%												
CASH**********												
NPV DISCOUNTED AT 20.00%												
TAX BENEFITS**********	518,500	560,000	620,000	620,000	620,000	649,000	670,000	610,000	610,000	610,000	610,000	639,500
NPV 2,644,693 DISCOUNTED AT ERR												
RESIDUAL**********												
NPV DISCOUNTED AT 20.00%												
TOTAL RETURNS **********	(518,500)	(1,160,000)	(500,000)	(500,000)	(500,000)	(529,000)	(550,000)	(610,000)	(610,000)	(610,000)	(610,000)	(639,500)
NPV (2,812,142) DISCOUNTED AT 20.00%												

SENSITIVITY ANALYSIS LEASED SPACE 1

INCOME TAX RATE +899	38.00%	20.00%
38.00%	(3,446,868)	(3,446,868)
50.00%	(2,812,142)	(2,812,142)

Smart Corporation Building
Projected Total Occupancy Cost
RENT NEW SPACE DOWNTOWN
LEASED SPACE 2

0.20	CGTAX	CAPITAL GAINS TAX
0.20	NPVA	NPV DISCOUNT RATE AFTER TAX
0.12	NPVB	NPV DISCOUNT RATE BEFORE TAX
0.50	ORDTAX	ORDINARY INCOME TAX RATE
100,000.00	SQFT	SQUARE FEET OCCUPIED BY SMART CORP.
26.00	RENT	RENT RATE PER SF
0.05	INF	INFLATION RATE (ANNUAL)
30.00	FIT	FIT UP COST TO SMART CORP.
250,000	MOV	MOVING COST
12.00	FF	F AND F COST
962000	REL	RELOCATION COSTS

YEAR	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
OCCUPANCY COST BEFORE TAX												
-RENT	867,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	3,318,332	3,318,332	3,318,332	3,318,332	3,318,332	4,235,126
+VALUE OF OLD LEASE		505,000	505,000	505,000	505,000	476,000	455,000	455,000	455,000	455,000	455,000	425,000
-MOVING COST		250,000										
-TENANT FIT UP COST		3,000,000										
-F AND F		1,200,000										
-RELOCATION COSTS		962,000										
TOTAL BT OCCUPANCY COST	(867,000)	(7,507,000)	(2,095,000)	(2,095,000)	(2,095,000)	(2,124,000)	(2,863,332)	(2,863,332)	(2,863,332)	(2,863,332)	(2,863,332)	(3,810,126)
accumulated occ cost	(867,000)	(8,374,000)	(10,469,000)	(12,564,000)	(14,659,000)	(16,783,000)	(19,646,332)	(22,509,664)	(25,372,996)	(28,236,328)	(31,099,660)	(34,909,786)
NPV (18,053,320) DISCOUNTED AT 12.00%												
OCCUPANCY COST AFTER TAX												
+TOTAL CASH OCC COST	(867,000)	(7,507,000)	(2,095,000)	(2,095,000)	(2,095,000)	(2,124,000)	(2,863,332)	(2,863,332)	(2,863,332)	(2,863,332)	(2,863,332)	(3,810,126)
+TAX BENEFIT ON RENT	433,500	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,659,166	1,659,166	1,659,166	1,659,166	1,659,166	2,117,563
-TAX DUE ON LEASE SELLOU	0	252,500	252,500	252,500	252,500	238,000	227,500	227,500	227,500	227,500	227,500	212,500
+BENEFIT ON MOVING COST	0	125,000	0	0	0	0	0	0	0	0	0	0
+TAX BENEFIT ON FIT UP			300,000	300,000	300,000	300,000	300,000					
+TAX BENEFIT ON F AND F			120,000	120,000	120,000	120,000	120,000					
+TAX BENEFIT ON REL EX	0	481,000										
TOTAL AT OCCUPANCY COST	(433,500)	(5,853,500)	(627,500)	(627,500)	(627,500)	(642,000)	(1,011,666)	(1,431,666)	(1,431,666)	(1,431,666)	(1,431,666)	(1,905,063)
accumulated occupancy cost	(433,500)	(6,287,000)	(6,914,500)	(7,542,000)	(8,169,500)	(8,811,500)	(9,823,166)	(11,254,832)	(12,686,498)	(14,118,164)	(15,549,830)	(17,454,893)
NPV (7,089,450) DISCOUNTED AT 20.00%												

PARTITION ANALYSIS OF RETURNS

OCCUPANCY COSTS**********	(867,000)	(7,507,000)	(2,095,000)	(2,095,000)	(2,095,000)	(2,124,000)	(2,863,332)	(2,863,332)	(2,863,332)	(2,863,332)	(2,863,332)	(3,810,126)
NPV (13,006,757) DISCOUNTED AT	20.00%											
CASH**********												
NPV DISCOUNTED AT	20.00%											
TAX BENEFITS**********	433,500	1,653,500	1,467,500	1,467,500	1,467,500	1,482,000	1,851,666	1,431,666	1,431,666	1,431,666	1,431,666	1,905,063
NPV 5,917,307 DISCOUNTED AT	20.00%											
RESIDUAL**********												
NPV DISCOUNTED AT	20.00%											
TOTAL RETURNS **********	(433,500)	(5,853,500)	(627,500)	(627,500)	(627,500)	(642,000)	(1,011,666)	(1,431,666)	(1,431,666)	(1,431,666)	(1,431,666)	(1,905,063)
NPV (7,089,450) DISCOUNTED AT	20.00%											

SENSITIVITY ANALYSIS LEASED SPACE 2

RENT RATE OF SPEC PART

	+B86	+B107
23.40	(16,501,767)	(6,575,543)
26.00	(18,053,320)	(7,089,450)
28.60	(19,604,872)	(7,603,356)

INCOME TAX RATE

+B107	38.00%	20.00%
38.00%	(8,509,604)	(8,509,604)
50.00%	(7,089,450)	(7,089,450)

INFLATION RATE

	+B86	+B107
2.00%	(16,962,100)	(6,805,477)
5.00%	(18,053,320)	(7,089,450)
10.00%	(20,284,252)	(7,665,299)

Smart Corporation Building
Projected Total Occupancy Cost
RENT NEW SUBURBAN SPACE IN OFFICE PARK
LEASED SPACE 3

0.20	CGTAX	CAPITAL GAINS TAX
0.20	NPVA	NPV DISCOUNT RATE AFTER TAX
0.12	NPVB	NPV DISCOUNT RATE BEFORE TAX
0.50	ORDTAX	ORDINARY INCOME TAX RATE
100,000.00	SQFT	SQUARE FEET OCCUPIED BY SMART CORP.
20.00	RENT	RENT RATE PER SF
0.05	INF	INFLATION RATE (ANNUAL)
30.00	FIT	FIT UP COST TO SMART CORP.
250,000	MOV	MOVING COST
12.00	FF	F AND F COST
962000	REL	RELOCATION COSTS

YEAR	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
OCCUPANCY COST BEFORE TAX												
-RENT	867,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,552,563	2,552,563	2,552,563	2,552,563	2,552,563	3,257,789
+VALUE OF OLD LEASE		505,000	505,000	505,000	505,000	476,000	455,000	455,000	455,000	455,000	455,000	425,000
-MOVING COST		250,000										
-TENANT FIT UP COST		3,000,000										
-F AND F		1,200,000										
-RELOCATION COSTS		962,000										
TOTAL BT OCCUPANCY COST	(867,000)	(6,907,000)	(1,495,000)	(1,495,000)	(1,495,000)	(1,524,000)	(2,097,563)	(2,097,563)	(2,097,563)	(2,097,563)	(2,097,563)	(2,832,789)
accumulated occ cost	(867,000)	(7,774,000)	(9,269,000)	(10,764,000)	(12,259,000)	(13,783,000)	(15,880,563)	(17,978,126)	(20,075,689)	(22,173,253)	(24,270,816)	(27,103,605)
NPV (14,472,814) DISCOUNTED AT 12.00%												
OCCUPANCY COST AFTER TAX												
+TOTAL CASH OCC COST	(867,000)	(6,907,000)	(1,495,000)	(1,495,000)	(1,495,000)	(1,524,000)	(2,097,563)	(2,097,563)	(2,097,563)	(2,097,563)	(2,097,563)	(2,832,789)
+TAX BENEFIT ON RENT	433,500	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,276,282	1,276,282	1,276,282	1,276,282	1,276,282	1,628,895
-TAX DUE ON LEASE SELLOU	0	252,500	252,500	252,500	252,500	238,000	227,500	227,500	227,500	227,500	227,500	212,500
+BENEFIT ON MOVING COST	0	125,000	0	0	0	0	0	0	0	0	0	0
+TAX BENEFIT ON FIT UP			300,000	300,000	300,000	300,000	300,000					
+TAX BENEFIT ON F AND F			120,000	120,000	120,000	120,000	120,000					
+TAX BENEFIT ON REL EX	0	481,000										
TOTAL AT OCCUPANCY COST	(433,500)	(5,553,500)	(327,500)	(327,500)	(327,500)	(342,000)	(628,782)	(1,048,782)	(1,048,782)	(1,048,782)	(1,048,782)	(1,416,395)
accumulated occupancy cost	(433,500)	(5,987,000)	(6,314,500)	(6,642,000)	(6,969,500)	(7,311,500)	(7,940,282)	(8,989,063)	(10,037,845)	(11,086,626)	(12,135,408)	(13,551,802)
NPV (5,903,512) DISCOUNTED AT 20.00%												

PARTITION ANALYSIS OF RETURNS

OCCUPANCY COSTS**********	(867,000)	(6,907,000)	(1,495,000)	(1,495,000)	(1,495,000)	(1,524,000)	(2,097,563)	(2,097,563)	(2,097,563)	(2,097,563)	(2,097,563)	(2,832,789)
NPV (10,634,880) DISCOUNTED AT 20.00%												
CASH**********												
NPV DISCOUNTED AT 20.00%												
TAX BENEFIT**********	433,500	1,353,500	1,167,500	1,167,500	1,167,500	1,182,000	1,468,782	1,048,782	1,048,782	1,048,782	1,048,782	1,416,395
NPV 4,731,369 DISCOUNTED AT 20.00%												
RESIDUAL**********												
NPV DISCOUNTED AT 20.00%												
TOTAL RETURNS **********	(433,500)	(5,553,500)	(327,500)	(327,500)	(327,500)	(342,000)	(628,782)	(1,048,782)	(1,048,782)	(1,048,782)	(1,048,782)	(1,416,395)
NPV (5,903,512) DISCOUNTED AT 20.00%												

SENSITIVITY ANALYSIS LEASED SPACE 3

RENT RATE OF SPEC PART

	+B86	+B107
18.00	(13,279,312)	(5,508.199)
20.00	(14,472,814)	(5,903,512)
22.00	(15,666,316)	(6,298,824)

INCOME TAX RATE

+B107	38.00%	20.00%
38.00%	(7,039,040)	(7,039,040)
50.00%	(5,903,512)	(5,903,512)

INFLATION RATE

	+B86	+B107
2.00%	(13,633,414)	(5,685.071)
5.00%	(14,472,814)	(5,903,512)
10.00%	(16,188,916)	(6,346.472)